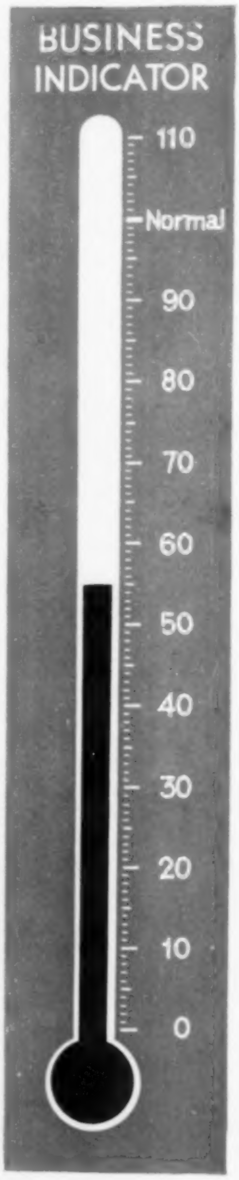
FEB 1, 1933

THE BUSINESS WEEK



Business seems to be moving sidewise—and how nice that feels after a long terrifying toboggan ride! . . . Steel mills continue slowly to increase their activity as orders come in from automobile makers and miscellaneous sources, but the slaughter of defenseless prices is appalling. . . . Ford, getting ready for one of the big fights of his career, is steel's best prospective customer for the coming weeks. Detroit hears a new Ford model immediately, another, cheaper, in the spring, is his program. . . . The statistics of business are not bad reading at all. Unexpected strength in non-residential building helped offset the slump in public works. Coal production and carloadings rose a little. Electric power production went down at about the rate it always does with lengthening daylight. . . . Mid-monthly check payments increased, mostly in the large financial centers. A rather small increase in currency circulation was to be expected as recent bank closings force affected areas to use cash instead of checks, and also scare some cash into hiding. . . . January retail sales were not encouraging. Yet commercial loans increased a bit, and wholesale commodity prices are firmer. . . . Fundamental industries—coal, agriculture, lumber—have begun a significant attack upon the whole basic freight rate structure, an inevitable step if deflation is to proceed relentlessly to its only possible destination. . . . Talk of currency inflation has had one good effect; it has made Mr. Roosevelt suddenly decide to hurry up British debt revision plans.

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Looking up an elevator hatchway in one of the tallest buildings in the middle West.

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THE BUSINESS WEEK

FEBRUARY 1, 1933

New Ford, New Fight

Detroit is expecting two new Fords: one bigger and better, to be ready soon; the other, due in the spring, an economy car designed to provide new transportation for the old Model T market.

No one who saw the lines and the price tags of the new Chevrolet and the new Plymouth expected Mr. Ford to rest his case on the present models. On the other hand, no one expected him to be able to do much about the situation so quickly.

Within a few days, certainly within a few weeks, Ford will announce a bigger and better V-8 aimed directly at the current offerings of his competitors. Production is expected in time for the Chicago Show or soon thereafter.

This car, Model 40, will be incnes longer than the present issue, with a wheelbase of 112 in., a much more powerful V-8 engine, and a refinement of streamlining calculated to impress the most modern-minded. Detroit dispatches indicate a considerable resemblance to the new Lincoln.

Quick Changes

Last year, it took Ford the whole first quarter to shift from the Model A to the new V-8, and most of the second quarter to get into production. Not until June did Ford sales threaten, and finally pass, Chevrolet. This year, production of the new models is already under way at Rouge, with around 250 cars a day coming off the line, 5 days a week. Soon, this will be boosted to 1,500 a day as the maximum.

What the new car will sell for, Ford only knows. The present standard 4-door sedan comes to $590, as does the comparable Chevrolet. Model 40 prices will be in the neighborhood of this figure, perhaps a little below it. At this level, it competes directly with Chevrolet and Plymouth, of course; indirectly but none the less keenly with Pontiac and DeSoto and a host of others in the price class immediately above.

In the spring, for better or worse, will come the biggest surprise and the hardest wallop; an economy car engineered for the depression market which obviously exists below the present low-price level.

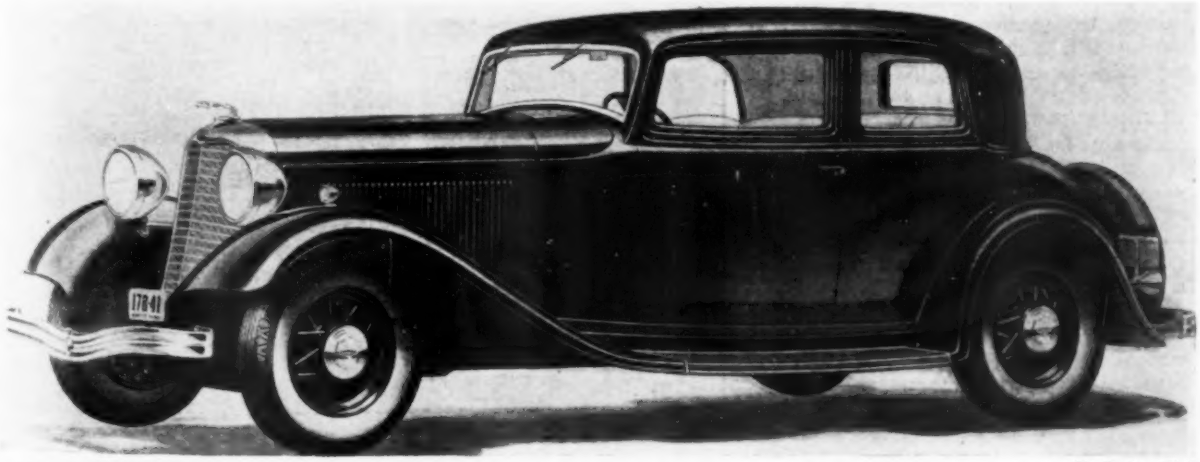
The Model 44 will not be a reversion to the Model T. A lot of water has gone down the Rouge since the last T was cranked. The new car will have more than bare transportation, but it will not be burdened with gadgets or purely luxurious refinements. Although trimmed down to the essentials, there will be no reprinting of Model T jokes; the farmer, the mechanic, the small-salaried man will buy with it no inferiority complex.

As now known, Model 44 will have a wheelbase of 105 in.; it will be amply powered with a V-8 motor somewhat smaller than the present engines. Piston displacement is said to be about that of the Model T. New materials and methods will keep the price down. Ford for some time has been working out a way to use steel of less than full-finished grade, has developed a new priming coat containing oil from the soy bean. Upholstery will be plain and durable, nothing fancy. Roofs may be made of moulded composition board, with inner and outer coverings cemented on. Prices are expected to be well within the $350 range; motor men think that if other manufacturers can break $400, Ford can do it if he sets his mind to it.

This is the car which will be Ford's big gesture toward the depression and the competitors. It is said that production may be pushed as high as 3,000 a day by the end of March.

As for the competition, Continental and Willys are already in the market under the $400 mark. Plymouth has worked out new economies in body manufacture to match the famous flexibility and efficiency of its chassis production. Chrysler has already made one price cut and might make another.

Chevrolet has a small car of its own which has been quietly readied for production. Detroit refers to it as the "Mercury" and there was considerable talk about it until announcement of the new bigger Chevvies. Details are un-



The Business Week

NEW LINCOLN—New Ford lines are likely to follow this distinguished example. The new Lincoln has the snowplow front, the sweeping lines and curves of the present streamlined mode, modified by the dignity and restraint traditional with this car.

known, but it is said to be planned for immediate production if the depression demands it.

It would seem that those who predicted a Ford-less small car fight were wrong. He has always been able to give it (and take it) in toe-to-toe price-slugging with his competitors. Now apparently he has learned about footwork from them. Forced into yearly model changes, he has learned through painful experience how to take them in his stride. And apparently he has succeeded in modifying his single-mindedness to fit the new philosophy of flexibility.

Although it is over 40 years since Ford began work on his first engine for a horseless carriage, it is the feeling in automotive circles that he has "just begun to fight."

Economic Disarmament

"Failure of human will and intelligence," not an inevitable natural law, stands in the way of world economic recovery. Britain outlines terms on which she will return to gold standard.

To start the discussion of the League of Nations' Preparatory Commission of economic and monetary experts when it first met, there was exhibited to the commission a chart on which striking red lines traced the average course of world trade since 1929. This chart showed that world trade, which totaled nearly $69 billions where the red line began, would by theoretical mathematics reach absolute zero Nov. 10, 1933, if the red line were allowed to continue to descend at the same angle as in the past 3 years. With this as a starting point, the Preparatory Commission began to plan the program to be discussed at the 1933 economic conference, which, if it succeeds in applying healing lotions to a sorely afflicted economic world, will be a turning point in the history of mankind greater than was the peace treaty at Versailles.

Camouflaged Barriers

The Preparatory Commission properly recognizes that the great evils that now beset the economic world are the trade barriers which obstruct international trade; barriers that are damming up trade once worth $69 billions. These barriers are camouflaged as international debts, tariffs, trade restrictions, exchange restrictions, or currency depreciation, but they come down to one thing—they effectively interfere with the flow of commodities. One nation creates a trade barrier to the inflow of goods from other nations, hoping that the outflow of goods will continue. But the same barrier that checks imports also checks exports and retaliatory measures by other nations effectively freeze a possible overflow.

A unanimous agreement among all nations along economic lines seems virtually an impossible achievement in the light of recent experience with economic conferences. If the success of the coming conference is dependent upon unanimity among any large group of nations, the task ahead seems hopeless.

But though there are many nations represented on the Preparatory Commission, and the same group presumably will be represented in the final economic conference, it is becoming clear that if 2 great nations like the United States and Great Britain could agree upon a trade and commercial policy, they could by their very economic superiority compel ultimate acquiescence by other nations. Therefore the program of the Preparatory Commission must be looked upon in the light of America and Great Britain facing each other across the Atlantic and having combined power to restore international trade. On the one hand, the United States impedes trade because, as a creditor nation, it permits no payment in goods and has erected an almost insurmountable tariff wall. On the other hand, Great Britain, historically a free trade nation, has finally been forced to erect an effective barrier to American goods by going off the gold standard and thus establishing a low price level for British goods in terms of the dollar. American exports have been virtually destroyed by the advantage of the low value of the pound sterling. The un-

Acme

"NOTHING TO SAY"—Secretary Stimson parries the questions of the reporters on leaving a conference with the President-elect at the Mayflower Hotel in Washington. Stimson, through his conversations with Roosevelt on foreign policy, is credited with bringing Hoover and Roosevelt together to talk over war debts.

International News

ON THE WAY TO WASHINGTON—The President-elect en route to discuss debts and foreign policies with the President. Upper left, is Warren Delano Robbins, cousin to the Roosevelts, the "Emily Post of the State Department." The watchful gentleman in glasses immediately below is the chief of the Secret Service, somewhat concerned over Mr. Roosevelt's liking for open cars, long rides. In gray hats, his guards. At Roosevelt's left, Admiral Grayson.

stable pound has destroyed all hope of stabilizing commodity prices.

The American delegates argue for restoration of the gold standard as the first step in the restoration of world prosperity.

The British delegates agree, but lay down the conditions on which they will return to the gold standard. Stripped of all verbosity these conditions are: American adjustment of debts and tariffs, and a reflation policy that will bring American prices in line with British prices. Although the State Department foolishly forbade the delegates to discuss debt reduction, the commission heartily agrees that debts and tariff cannot be dissociated from industrial stabilization.

Its statement declares flatly that "until there is such a settlement of war debts or the definite prospect of such a settlement, these debts will remain an insupportable barrier to economic and financial recovery." After that declaration it will be well nigh impossible for the conference itself to avoid the subject if the delegates wish to make it anything better than a complete fiasco. Unless the debt question is undertaken before the conference is called, the conference must be given power to deal with it.

Something to Go On

Although debts and tariffs are the chief points in the program of the Preparatory Commission, the commission itself decries "piecemeal measures" and emphasizes the necessity of "concerted action along the whole front." This may seem discouraging to those who know from past experience that although a thorough-going treatment of all the world's ills is devoutly to be wished for, that the "all or nothing" attitude is not the invocation with which to open a conference of this sort. If English and American interests can agree on an international trade agreement whereby there will be no open or surreptitious tariff barriers, the economic conference will have gone a long way toward economic reconstruction and economic disarmament.

The commission asserts that "in its essence the necessary program is one of economic disarmament. In the movement toward economic reconciliation an armistice was signed at Lausanne; the London conference must draw the treaty of peace." Unless this is done the curse of nationalism and self-sufficiency will spread.

"Such a choice would shake the whole system of international finance to its foundations; the standards of living would be lowered and the social system, as we know it, could hardly survive. These developments, if they occur, will be the result not of any inevitable natural law but of the failure of human will and intelligence to devise the necessary guarantees of political, economic and international order. The responsibility of the governments is clear and unmistakable."

Dollars vs. Gold

That dramatic gesture of Dec. 15 debt payment in gold is liquidated, on second thought, by the exchange of accumulated dollar balances for bars.

ENGLAND has proven herself an Indian giver. When it was announced Dec. 15 that England's payment of the war debt obligation to the United States, totaling $95,550,000, would be paid in gold in place of the accumulated bank balances of the English Exchequer (*BW—Jan 18'33*) a sigh of relief went up from business men throughout the country because of the hope that much of the damage which had been done to American export trade by the corraling of dollar balances by the English government could now be remedied and some degree of normalcy could be restored in the export trade. However, it now appears that England intends to purchase back her gold and turn over her balances to the Treasury. The Federal Reserve Bank of New York reports a sale of $25 millions two weeks ago and last week the Federal Reserve Bank again reports a sale of $18,574,200 of gold till now held under earmark in London. Other increases in earmarked gold for foreign account have been reported on 6 occasions by the Federal Reserve Bank. The most reasonable conclusion is that this gold has been purchased for British account since Great Britain is the only country that still has an important volume of dollar balances.

After the Gesture

It is not difficult to find reasons for this action. Great Britain has benefited in full from the publicity in connection with her generous gesture and now has decided that she would prefer gold in place of dollar balances to her credit in New York banks. Moreover, it is not difficult to believe that the English exchequer is mildly exercised over the inflation discussion again dominating Washington, and prudently estimates

that the dollar may still be devaluated, hence gold is a safer asset.

Selling of dollar balances by Great Britain at this time was inopportune for Great Britain because there appeared to be developing early last week, albeit in mild form, a general flight from the dollar. The dollar dropped on all foreign exchanges. The English pound sterling reached the highest figure in 3 months and the French franc materially improved its position.

The drop in the dollar, the consequences of British selling, is no great calamity. In fact a readjustment of the dollar to foreign currencies is badly needed to stimulate exports. But still greater is the need to stabilize foreign currencies. Commodity prices in the United States have ceased to be responsive to supply and demand and other trade factors. Silk jumps around as the yen rises and falls, and cotton, wheat, and pork sensitively respond to sterling fluctuation. Firmness in cotton prices last week was the consequence of the rising pound sterling.

Gold

Production of gold for 1932 was $475 millions, a new record; it was $403 millions in 1929.

MORE gold was produced in 1932 than ever before in a single year. The total was $475 millions, which is $5 millions more than the previous record, made in 1915, and is an increase of $72 millions over 1929.

Gold production in 1929 was $403 millions; in 1930 it jumped $13 millions to $416 millions; in 1931 it increased $22 millions to $438 millions; in 1932 it jumped $37 millions. Mining authorities are agreed the rate of acceleration still holds; 1933 should see a production well over the half billion mark.

Even this, however, will not be enough gold to modify greatly the prices of other commodities, according to the classic economic theory. The world's stocks were about $11.2 billions in 1931, are raised to $11.7 billions by 1932 production, should be $12.2 at the end of 1933, an increase of something in the neighborhood of 9% in 2 years.

The theory is, of course, that the secular trend of prices of other things will vary in relation to the scarcity of gold; as gold becomes less scarce, commodity prices will rise. It has been stated frequently that the recovery from the panic of the '90's was in some degree due to the discoveries of vast and rich deposits in the Rand.

Present and prospective increase in production is hardly comparable to the sudden development of that great supply.

COAL CAR—Any coal yard is a filling station for this British motor truck: 250 pounds of anthracite dumped in the hopper in the rear produces gas enough to run it 300 miles. Gas is piped direct to the carburetor.

British Debt Revision

Roosevelt, worried over the threat of currency inflation, believes debt negotiations with Britain may bring about price improvement which will still the clamor.

WASHINGTON—President-elect Roosevelt is anxious to head off the movement for currency inflation before it gets unmanageable. That is what prompted him suddenly to cooperate with President Hoover in speeding up arrangements for an early conference on British debt revision.

As phrased by one of Roosevelt's closest advisers, it was "a race between international action and domestic pressure."

Roosevelt's idea is that if the British government can be persuaded to stabilize the pound sterling, and perhaps to remove some of the trade restrictions now hampering our exports, it will stabilize commodity prices, particularly prices of our agricultural exports, and may even push them upward a little. That, as he sees it, is the surest way to head off an uncontrolled inflation. He feels further that if the British take the steps indicated, the American people will profit more than if the British can be persuaded to pay further instalments on the war debts.

There are various indications of how deep is Roosevelt's concern over the threat of uncontrolled inflation. That explains his strong effort to persuade Carter Glass to become Secretary of the Treasury. The aged Senator has refused, but Mr. Roosevelt will not be denied.

Unconfirmed Washington rumor has it that Glass made a stipulation that if he did take the post, there should be no move for guarantee of bank deposits either by the President or by William G. McAdoo. Senator Glass violently assailed McAdoo's deposit guarantee proposal at the Chicago convention, and moreover carried the day. Incidentally anti-inflationist policy seems likely to bring about a split between Roosevelt and various powerful figures in his party—McAdoo for one.

Quid Pro Quo

As to debt negotiations, Roosevelt hopes to exact stabilization of the pound and relaxation of trade restrictions from Britain as the price of debt revision. Britain is divided upon the

question of stabilizing the pound. Its official thesis is that the pound cannot be stabilized until prices rise. The American view is that prices cannot rise until the most important money in the world is stabilized.

One British group believes the pound must be revalued far below the old par of $4.86, contending that only by such a capital levy can the burden of governmental debts be borne. Another group is for stabilization at any price, just so it is done quickly. This group naturally will be friendly to the Roosevelt plan.

Freight Rates

Typical of what's happened to unite shippers in a demand for lower rail tariffs is the change which has come in the coal situation.

THE drive for a general reduction of freight rates launched by farming, lumber, and coal interests through 5 national organizations puts squarely before the I.C.C. the question of adjusting transportation costs to price levels. This proposal, going far beyond the issue of whether the temporary freight increases shall be extended beyond the March expiration date, is not likely to appeal to the commission as favorably as it will to shipping interests. The financial condition of the railroads is too precarious.

While present indications are that the commission will deny any great immediate measure of relief, this drive is bound to have wide repercussions. It brings to a head the whole question of transportation policy in the light of the price deflation and the drastic changes that have taken place in the field of distribution. These are illustrated by the National Coal Association's attack on base rates on their product.

A New Philosophy

This is new philosophy among coal men. For years, they have explicitly or implicitly followed the line of policy that indicated they were not greatly concerned with the level of freight rates; their only concern was to see that no competing coal field got a better rate. The idea was that the consumer had to have coal, and had to get it by rail, leading to the inevitable conclusion that whatever the freight rate, he would have to pay it.

Time has shown that there are two things wrong with this theory. First, the consumer does not have to have coal; he may use gas, or hydro-electric power, or oil. Second, he does not have to get coal by rail; he can get it by truck. In other words, coal producers now realize that the net delivered price of coal is important, if they are to keep their markets. Therefore they have turned on their old friends the railroads (perhaps their biggest customers).

Says the association's brief before the I.C.C.: "Industrial America owes its existence to low power cost. Coal predominated in its upbuilding as a source of energy. There can be no substantial improvement until coal again represents low power cost, and there can be no lower delivered coal cost unless rail transportation charges are readjusted. Mining costs are on an irreducible basis. . . . The transportation charge on a substantial quantity of bituminous coal has increased over 100% since 1914. Freight charges now represent 64% of the delivered cost of coal."

What a general reduction of freight rates on coal might mean to the railroads staggers the imagination. Coal produces 17% of all freight revenue on all Class I railroads. Bituminous coal represents 23% of all freight revenue on the 37 roads on which 96% of the coal is produced. Of these 37 roads, 5 earn more than 75% of their revenues from coal carrying.

In 1928, the freight bill for carrying bituminous coal was $784 millions; in 1931 it was $586 millions, a shrinkage of almost $200 millions.

The coal men estimate they have lost 400 millions of tons to competing sources of energy. Pipe lines are largely responsible, but the truck is playing an increasing part.

Oranges Leave Rails

Florida citrus growers are shipping by water and highway. Rail rates have been too big a part of selling prices.

REFUSED a blanket reduction in freight rates by the railroads, Florida citrus fruit growers are shipping a large portion of this season's crop into Northern markets by steamship and truck. Shippers assured the steamship lines last fall that they would route their traffic by water if arrangements were made with reliable truck lines up North for delivery into the interior. The through rates over the new water-truck routes are sufficiently low to assure a return to the producers and at the same time avoid disrupting markets by providing for wide distribution as far as 200 miles inland from Baltimore, Philadelphia, New York, and Boston. Forced draft ventilation on the vessels of the Merchants & Miners and the Clyde-Mallory lines cools tomorrow morning's orange or grapefruit by sea breeze.

Inflexible rail freight charges had become such a large proportion of the price obtainable in Northern markets that, according to the growers' sad story, there hasn't been enough left to pay their out-of-pocket cost for picking and packing. Last season the railroads sought to compromise by reducing rates to North Atlantic port cities 18% to 20%, which is also about 20¢ on a box. The desire of the shippers individually to cash in on the lower rates, coupled with the railroads' stipulation that cars must be loaded to 44,400 lb. instead of 32,400 lb., overloaded the port markets. The rate reductions were swallowed by tobogganing prices and the growers were worse off than ever. The coordinated service of steamship and truck lines this season is designed to distribute the crop sufficiently to prevent saturation at any point.

Just One Instance

Citrus fruit is only one instance in which the depression has knocked prices and transportation costs out of whack. The American Fruit & Vegetable Shippers' Association, the National League of Commission Merchants, and the Western Fruit Jobbers Association have united in a demand on the railroads for an immediate reduction in rates on all fruits and vegetables to the 1910-14 level. The produce men claim that a cut in rates would not mean a commensurate reduction in railroad revenues, as much produce that is now left in the fields would be turned into traffic.

Widespread protests that low prices and high transportation costs don't mix have forced the Interstate Commerce Commission to give shippers of a wide variety of farm and factory staples a hearing in opposition to continuance of the emergency freight rate surcharges after Mar. 31.

Railroad Pensions

Brotherhood chiefs and some of their followers disagree on what is wanted. Executives agree that both Senate bills are "unthinkable" at this time.

HEARINGS on rail employees' pension legislation have developed that the brotherhood chiefs favor one bill and an organized group of the rank-and-file favor another. Senators Wagner and Hatfield, respective sponsors, profess an "open mind." The Wagner bill is based on 50-50 contributions by companies and employees, based on a percentage of

their compensation. Under the Hatfield bill, the railroads' contribution would be a percentage of gross income.

The cost of either plan is unthinkable at this time, according to the railroad executives. Dr. Julius Parmelee, director of the Bureau of Railway Economics, told a Senate Interstate Commerce subcommittee this week that in 1931 pension payments of $32.6 millions were equivalent to 24% of net income. The number of pensioners on 74 railroads that now have formal or informal pension plans is nearly 50,000.

International News

STEEL CHIEF—Back from Europe, Myron C. Taylor hurried into conference with other officials of Big Steel.

Steel Lets Go

With prices cracking, major steel companies turn envious eyes, as well as accusing fingers, toward Great Lakes, again talk of following it to the motor market.

WITH steel selling at less than it costs and steel companies, with a few notable exceptions, losing money at a disconcerting clip, another orgy of price-cutting has swept through the industry. Sheets have dropped $3 to $6 a ton, wire products $2 to $6, and bars $2 to $3. Elimination of "extras," out-and-out concessions in price have made it difficult for selling departments to know what to ask to secure an order.

Major steel companies are pointing an accusing finger at National Steel Corp., the youngest big steel company, born in the early days of the depression. It has struggled through the economic slump thus far without going through the painful process of recording red ink on its ledgers. Its subsidiary, Weirton Steel, has perhaps the lowest production costs in the industry, is enabled to quote very low prices and yet make a profit. Another subsidiary, Great Lakes Steel, is at the door to steel's biggest market at Detroit, has consistently operated at a much higher rate than the industry, has made price concessions as every new mill does to break into a territory. Today Great Lakes is running at 84% of ingot capacity, the industry at 17%.

Enter Mr. Fink

U. S. Steel Corp. and Bethlehem are not looking with equanimity on Great Lakes' activities. The story is that these two leaders long ago made a gentlemen's agreement not to erect mills at Detroit; they reckoned, however, without the inexhaustible energy, salesmanship and organizing ability of George R. Fink, who almost single-handed built the Great Lakes mill at Detroit, also the mill of its Michigan Steel subsidiary, and tied the 2 to National Steel, perhaps the industry's most virile company.

The inability of railroads, the construction industry, gas and oil companies and other usually large consumers of steel to support the steel market has put the automobile industry increasingly in the market as the leading steel user. This means that the steel mill at Detroit has a further advantage. Cleveland mills, which can deliver cheaply by water to Detroit, have fared next best to Great Lakes. Big Steel has a woeful story to tell. Carnegie Steel, its leading subsidiary, can ship steel from Pittsburgh by rail to Conneaut, O., and thence by water to Detroit. Not a pound moved over this route in 1932. Illinois Steel, Big Steel's western subsidiary, can transport steel to Detroit by water, but its tonnage declined precipitately last year.

Detroit Expects Company

The climax came when Great Lakes' price inducements to some of Big Steel's prize automotive customers captured their tonnage for first quarter. John A. Coakley, general traffic manager for Big Steel, in seeking lower rates to Detroit from Pittsburgh, declared that if they are not granted, Big Steel may find it necessary to move some of its operations to the Detroit district. Detroit again is surcharged with rumors about Big Steel's possible erection of a plant there. Surveying work has been done in the open marshes next door to the Great Lakes plant, ostensibly on orders from U. S. Reports are being bandied about that Big Steel and Bethlehem are both negotiating to take over Ford's steel mills, idle since last summer. Even Republic Steel is said to be talking with Ford on the same topic. Most men familiar with the Ford set-up dismiss such plans, pointing out that the Ford steel plant is too closely linked to the Rouge development of Ford to have it operated by an independent steel company, that the steel industry now has more capacity than it can use. Admittedly, Ford is not likely to start up its steel mills so long as steel prices remain where they are, but their presence can always be used as a leverage to obtain price concessions; and they are an asset when production is high.

Last year the automobile industry took 1,505,400 tons of steel; 750,000 tons of it moved to Detroit by water from mills advantageously situated for water shipment. Pittsburgh and Youngstown mills have no water shipping facilities, must pay high railroad freight rates to Detroit, are losing growing percentage of business because of this disadvantage. Hence the agitation for a sharp reduction in rates.

It is only fair to say that the present price demoralization is not the sole creation of the steel industry. Steel men point out that automobile company purchasing departments have done a thorough job of setting one steel maker against another in fierce competition for existing tonnage, maintain that they are thus hurting themselves, reducing purchasing power, making it harder for people to buy automobiles.

Pipe Organs Down

Aeolian-Skinner designs a compact and lower-priced instrument for a less spacious age.

THE pipe organ, symbol of plutocracy, is about to broaden its market, taking a lesson from the yacht, its fellow symbol, which has changed from the plaything of the very rich to the hobby of the merely well-to-do. Not that the organ industry intends to go into anything corresponding to midget cruisers and put-puts, but because the most prominent manufacturer of organs for the home considers the present total of 2,000 installations too small, even in these times.

Residence organs used to cost $15,000 to $20,000; also, they required a lot of space. These factors, the best minds in the industry believe, made consumer acceptance a problem, even among the

wealthy. The popular conception of prices, gained from movie-theater publicity for million-dollar organs, didn't help, either. Many a millionaire, unaware that he could afford an organ in his front hall, struggled along somehow without one.

Facing these facts, the Aeolian-Skinner Organ Co., year-old merger of the Skinner Organ Co. and the organ division of the Aeolian Co., decided to do something about the situation. Arthur Hudson Marks, president of the old Skinner Co. and now of the new company, went to work on two huge 50-stop organs to find the combination of pipes, which, while limited in number, would give the best effect. He sought a tone quality orchestral rather than churchly, with pipes small enough to be built in a reasonable space, yet large enough to handle adequately the organ records in the Aeolian-Skinner library.

The result of his researches is a new Aeolian-Skinner organ which can be housed in the space of a large clothes closet, and which costs from $5,000 to $6,000, the price of a fine automobile. The new organ is not a midget, or a mass-production job designed for the depression, but a full-sized instrument designed for a new scale of living based on small town-houses and city apartments rather than the baronial castles of the early plutocratic era.

Power Portent

Diesel builder picks a good address on New York's snootiest street to challenge the power companies.

NEW YORK'S snooty esplanade of exclusiveness, otherwise known as Park Avenue, has its august beginning at 32nd Street where Fourth Avenue surrenders identity to the more aristocratic alias. The block between 32nd and 33rd Streets is occupied by a huge skyscraper, officially known as No. 1 Park Avenue.

Until recently 1 Park Avenue was just another office building, just another place where thousands of people worked and, incidentally, just another customer of the utility company which supplies the metropolis with its electric current and sundry other modern needs. Also incidentally, the bills for current used in running elevators, pumps, lights at 1 Park Avenue averaged $45,000 annually.

The operators of the building knew that these bills were large and burdensome but also that they were apparently unavoidable. The building must have tenants. Tenants must have elevator service and lights. The power company must get paid at the rates fixed or approved by the Public Service Commission.

Along came the Chicago Pneumatic Tool Company, manufacturers of construction tools and equipment, from hand drills to diesels, and changed 1 Park Avenue from a mere address into what may eventually prove to be a portent.

No Dollar Down

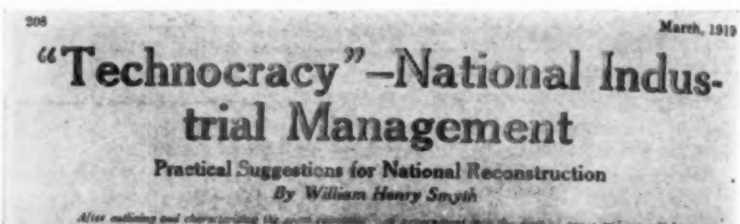
The change was made on the basis of a cold-blooded, matter-of-fact, carefully-phrased business contract. Under its terms the owners of the building did not put up a dollar. They simply provided the space and facilities for the installation of a 1,080 hp. automatic diesel power plant. Cost of plant, installation, operation and maintenance is and always will be the responsibility of the Chicago Pneumatic Tool Co. Owners of the building began making monthly payments only when the plant went into operation, at a predetermined rate which at the end of 10 years will represent a saving of $189,950 or approximately 42% from what in the same period would have been paid to the power company. Other terms of the contract provide that the manufacturers furnish specifications for the oil which the owner must buy and pay for, while the cost of buying power during possible periods of failure of the diesel plant is borne by its manufacturer.

Substantially, the owners of 1 Park Ave. effect at once a material reduction in one of the major items of operating overhead.

There Are Troubles

Those familiar with the development of diesel-operated power plants predict that many obstacles may appear, if building owners and manufacturers in the metropolitan district should in considerable numbers abandon central station service and install independent plants in its place.

Fairbanks, Morse & Co. Inc., largest diesel engine manufacturers in the United States, have sold during the last 7 years 8,000-odd diesel power plants, equal to 2 million hp. Of these over 1 million hp. represented installations in industrial plants, while of the total 1,000 plants represented installations for the account of various municipalities.



208 March, 1919

"Technocracy"—National Industrial Management

Practical Suggestions for National Reconstruction

By William Henry Smyth

Acme

OLD STORY—This reproduction of a page from the March, 1919 issue of *Industrial Management* (now combined with *Factory*) shows that not even the name is new. Technocracy now seems but an economic Eugénie hat, plugged in the newsreels and tabloids, gagged on the radio. No longer a mystery man, Technocrat Scott was excommunicated last week by his own group.

Easy to Re-Fuse

Jobless peddle fuses from door to door, and sometimes open up better sales prospects.

JOBLESS men possessed of some ingenuity have hit upon the idea of selling house fuses from door to door. They find a surprising number of house-

holders glad to take a few; fuses are among the little things always handy to have, hard to remember to buy.

Inevitably, bright dealers have seen an opportunity, have made up attractive small packages for the men to peddle. Pushing the idea a step further, some of them tell the salesmen to take the fuses into the house and tack them near the fuse box by means of a cardboard holder. The salesman takes a look around, and frequently turns in sales leads, having noted the absence of appliances, or their obsolescence.

Egg Coal

New breaker makes no provision for producing largest size anthracite, believing it doomed.

ONCE there was a size of anthracite known as lump. Next smaller was steamboat. Both of these long ago passed into oblivion, pushed over the edge of forgotten things by progress in the design of coal burning equipment and improvement in firing technique.

Egg is next below steamboat. Believing that egg will disappear from the market before long, Haddock Mining Co., Port Carbon, Pa., has made no provision for producing or shipping egg coal at its new breaker. This is the first breaker to be built, it is believed, which eliminates egg size.

Replacement Parts

How one manufacturer shows the dollars and cents difference between "gyp" parts and the genuine article.

EVERY manufacturer of machines has a replacement-parts problem. Things do wear out, and break in service; and repairs are all too frequently made with other than genuine parts, to the loss of the manufacturer who must keep such parts on hand and the possible loss of prestige if the "gyp" part fails, discrediting the whole machine.

Caterpillar Tractor Co., making a product which gets unusually hard service, is especially interested in keeping its product "100% Caterpillar." To prove the desirability of using genuine replacement parts, it has sent a booklet illustrated in characteristic style to owners, municipal, county, and state officials.

Photographs show plainly the variations from standard of "gyp" parts sold as "just as good," point out the sometimes sad difference between a forging and a casting, the ultimate importance of heat-treating and accurate dimensions not apparent to the casual eye.

Bricks Without Air

New machine subjects clay mixture to vacuum and produces bricks harder, denser, and tougher.

NEWEST and most exciting machine displayed at the Building Congress in Detroit was the "de-airing" equipment developed within the year by the Bonnot Co. of Canton, O., described by competent observers as offering the only fundamental improvement in brick manufacture in a generation.

In modern practice, brick and tile are extruded through a die in a continuous ribbon of moist clay, cut into proper lengths and passed on to the kilns. The clay as it comes from the mixer and passes through the extrusion die is full of air bubbles. The air content makes the baked product porous, causes glaze blisters, is a source of breakage.

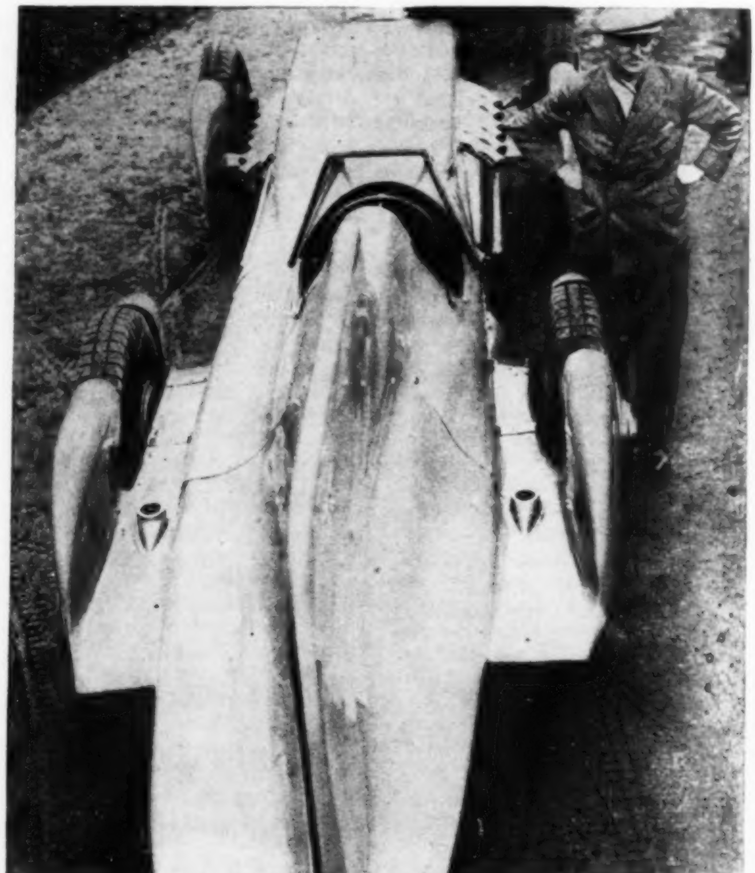
The new Bonnot machine subjects the clay mix to a 28-in. vacuum in the chamber from which it is extruded through the die. The air is literally pumped out of the mix. The result is a dense, strong brick or tile, without holes or blisters, easy to glaze. Weight is increased only 4%; strength and density are increased considerably. Breakage is greatly decreased, which is the principal economy. Breakage of building tile between kiln and final use has been estimated in common practice at 25%; tile made by the new process should average 3% breakage.

Paving brick made by the new machines will take a polish like granite. The added cost of manufacture is described as insignificant. Several paving brick makers have installed them.

Safety Cord

Use of approved types increases 67% as result of year's campaign.

OF all electrical cord sold in 1930, 85% was substandard, 15% was approved by the Underwriters' Laboratories. The same proportions, roughly, held for 1931. But of all electrical cord sold in 1932, almost 50% was of approved types. The underwriters, in other words, report for 1932 an increase of 66⅔% in the footage of electrical cord inspected, approved, and



Globe

REAL STREAMLINING—Sir Malcolm Campbell stands beside his new "Bluebird," world's most powerful motor car. Its show-room paint job and sleek lines are not swank, but practical considerations at 253 miles per hour. Streamlining adds speed, the smooth polished finish reduces friction.

marked with the safety label, despite a terrific decline in the total amount of all cord produced.

Behind all this is the story of an effective campaign. Alarmed by the trend toward the use of cheaper cord on electrical appliances, 29 manufacturers formed an association and launched a vigorous effort to interest appliance manufacturers, distributors, utilities, and the electrical inspection departments of various cities. They have succeeded even better than they hoped.

Most effective argument—the difference in cost between safe cord and substandard runs from ½¢ to 1½¢ on a 6-ft. cord, yet many electrical fires and much dissatisfaction with appliances result from cord failure. A new machine cooperatively developed by the manufacturers puts a bracelet marker every 5 feet on approved cord.

Oiled Gas

If the public insists on being fooled, the gasoline sellers can hardly be blamed for providing the wherewithal. Lubricated gasoline is the latest step in the competition of quality in the regular grade.

WHILE prorationists and anti-prorationists are fighting the battle of production control in the oil fields, gasoline marketers are staging a fight at the pumps which emphasizes the scramble for gallonage.

The plain gasoline selling of the good old days has been all gummed up by added grades. There are three pumps where but one grew before: premium, regular, and third grade popularly known in the industry as "fighting gas." It is this last grade which is used to combat the price-chiseler, the bootlegger.

Regular gas has always been the mainstay. Of late, its importance has been magnified by a buying shift to the lower priced grades. Regular gas is the grade which is plugged on the billboards, in the advertising pages, and on the air.

Competition, therefore, has been keenest here. Hence the many schemes of the individual companies to lift their products out of the common class by ascribing to them some special quality—at no increase in price. The octane number has been worked hard; now comes a new way of competing with quality rather than price; lubricated gas.

That Extra Something

Since the first dirt track racer who put ether in his tank, there have been people who weren't satisfied with the automobile or the gasoline as they found them. For their benefit the "dopes" and "pep" fluids, the various and mysterious "economizers," were invented.

These are the people who more recently hung "top-cylinder oilers" on their intake manifolds, who disdained the engineering intelligence of Mr. Ford, Mr. Chrysler and Messrs. General Motors, and squirted "top lubricant" in their gas tanks, after the best brains of the oil companies had gone to considerable trouble and expense to take out of the gasoline these very constituents.

And it is these same credulous souls who now rush to fill up with "lubricated" gasoline because it doesn't cost any more.

The passion for lily-painting probably got its start because knowing dealers used to put a little light oil in the gas tank when the car was new and the engine stiff. Then the specialty refiners started marketing magic fluids and soon the oil companies themselves were in the thing in self-defense. Last summer saw the first of the little racks containing little bottles at a good fat price which were supposed to prevent sticky valves and add that extra something which apparently the public wanted.

From this to already oiled gas was but a step. Last September, Pocahontas Oil Corp., alert marketer in Cleveland, announced "Air Force" gas, regular gas plus oil, at no extra charge. A giant magic lantern painted the story on all the surrounding buildings, even on low-lying clouds. Clevelanders came and bought at the 100-odd Pocahontas stations.

So much so, that staid Standard of Ohio began to pump oil into its gas tanks. Pure Oil, also, followed suit in the stations in the competitive zone.

This competitive zone, of course, began to spread, and other major companies began asking themselves what they should do about it. Many decided to stall, take the step only when competition forced it. In the meantime, they covered themselves by offering their own brand of piston liniment. Some came out quite definitely against the practice. Shell took paid space in Ohio newspapers to combat the idea on the ground that automotive engineers did not recommend it. Sun Oil voted No.

When the question was raised editorially by *National Petroleum News*, watchdog of the industry, Ludlow Clayden, research engineer of Sun Oil, wrote a long and interesting letter to the editor, pointing out the obvious absurdities of the craze. A few years ago, he remarked dryly, motorists were very much concerned about oil pumping, installed all kinds of trick piston rings to keep excess oil out of the top cylinder where they are now squirting it.

As a matter of fact, oil men and automobile men who have seen test engines with the head off throw a spray of oil past the pistons, are not much worried about starving the upper cylinder walls and valves. Automobile men are more worried about getting too much oil to be only partially burned and mainly deposited as carbon on the pistons, cylinder heads, plugs and valves. Carbon is what holds back development of higher compression engines giving more power per pound.

But oil companies, of course, are not philanthropics; if the public insists on fooling itself, they will be glad to oblige with the materials. They can afford to be tolerant because engines now supply much too much oil to their upper ends, and a little more won't do any harm.

Canned Oil

The big can companies develop containers and dispensers which make convenient the tamper-proof protection of the sealed can.

AMONG the many merchandising problems of the oil companies is substitution at the station. Company-owned or directly controlled service stations give little trouble beyond an occasional too-smart young man who thinks he can sell 20¢ a gallon flushing oil at 20¢ a quart. It is the back-street and small town stations under remote control that are hard to watch.

Too many of them take advantage of their isolation to make a private profit by substitution. Hence the many schemes to prevent the practice—the non-refillable bottle, the crown caps, the sealed containers. Some months ago, the Canfield Oil Co. of Cleveland began selling refill and replacement oil packaged in cans, like beans (*BW—Nov9'32*).

New Dispenser

For such use, the American Can Co. has developed a dispenser in which the can is quickly and easily punctured, the oil then poured into the crankcase through the usual flexible spout. Continental Can has developed a similar device, a cup with internal knives and a spout which can be stuck in the filling hole and left to drain.

With oil packaged at the refinery in tamper-proof containers with brand name lithographed on the can, motorists can be sure they are getting what they pay for; refiners are relieved of substitution or adulteration worries.

International News

PATRIOTEERS—The good Mesdames Bloomer, Hart, Burdick and Rosenhain address their Rejuva Club, New York, on the virtues of the "Buy American" plan.

Buy American?

Even if salesmen for the trade-at-home movement could agree on a name for their product, the Commerce Department apparently wouldn't like it.

LIKE so many other business enterprises, the "Buy American" movement is having trouble with its salesmen. Latest reports from the conference room indicate that they are fighting among themselves after falling down on what might have been their biggest sale. Underlying cause may be the natural irritation that arises when a salesman finds he has been loaded with a faulty production job and selling arguments that prove anything but airtight. The immediate difficulty is more superficial, louder and lots funnier.

Like all earnest movements, this one started out with a slogan. The trouble is that it started out with two slogans. First to be entered for registration on the public mind was "Buy Uncle Sam's." Copyrightholder was Buy Uncle Sam's, Inc., of Washington, D.C., meaning chiefly Nathan B. Williams, a Washington attorney, abetted by Mrs. H. H. Lund, a Washington widow who goes in for movements, preferably anything aimed against "subversive international influences."

These seem to have paid such small expenses as have been incurred in the operations of Uncle Sam's, Inc. Their pocketbooks cannot have been much taxed because the registration of their trademark didn't take. Mr. Williams is a likable and energetic person but that doesn't make him a match for William Randolph Hearst, who has far better facilities for high-pressuring the sale of whatever he is really interested in—American-made goods, or Hearst newspapers, or his own ideas of "subversive international influences."

Mr. Hearst said it was the "Buy American" movement and so many people buy *New York Americans*, to say nothing of all the other Hearst publications, that it forthwith was. Even Mr. Williams can see that. What upsets him is that he thinks Mr. Hearst has not only been making sales under his own trade-name but collecting on those previously made by Uncle Sam's, Inc. Latest sign that the movement is still alive and kicking in Washington is a crowded 3-page publicity release accusing the newspaper publisher of changing "Buy Uncle Sam's" to "Buy American" in his newspapers' reports of such endorsements of the movement as that unanimously whereased by District of Columbia Federation of Women's Clubs—deftly engineered by Mr. Williams. Things like this move the Washington attorney to point out that "when the moral sense of any individual or nation so deteriorates that expediency is their determining motive, that individual or nation is riding the avalanche—the abyss is their sure destination." This, strangely enough, seems to be the pith of the objection that some moralistic critics have raised against his movement.

In staking his claims, Mr. Williams may have embarrassed government officials more than he has Mr. Hearst. He dwells lovingly on the success of Uncle Sam's Inc. in arousing the enthusiasm of Customs Commissioner F. X. Eble. "Afterward, Commissioner Eble is reported to have called in several writers for popular magazines upon economic subjects and they were inspired by the exhibit the commissioner had assembled to write a series of splendid articles. . . Some of these articles appeared in the *Saturday Evening Post*."

Sales Resistance

This coming out just as Ross C. Purdy, general secretary of the American Ceramic Society, has had to report "no sale" of the "Buy American" movement to the Department of Commerce, whose official support be had solicited!

That failure was made particularly distressing by the detailed explanation furnished, "in the absence of Mr. Chapin," by E. F. Morgan, solicitor of the Commerce Department, as to why he thought the government wasn't having any. The good ladies of the women's clubs will be most upset by his contention that the question raised by the movement is "in no sense a patriotic issue, but strictly an economic one and the two will not mix." Manufacturers who have gone "Buy American" because of the immediate pressure of competitive imports at depreciated currency prices, or through zeal to spread their convictions as to the superior quality of their own domestic products, will be more troubled by Mr. Morgan's comments on the economic issues, lightly disguised as remarks on the propriety of governmental support.

—And Counter-Arguments

"If official acts of this government make it more difficult for them [our foreign debtors] to sell in this . . . market, the chance of their paying us is further reduced, and, what is more important still, they are less disposed to buy from us. . . . Thousands of American enterprises are dependent for their existence, and the existence of their staffs, on the importing business. . . There are still more thousands . . . exporting the product of American industry or who depend on sales in foreign countries for a substantial part of their product." And, finally, of similar nationalistic movements in Great Britain and other countries: "I think in every case there were reasons which would not apply in the United States. Such reasons might be the nation's external debt, adverse trade balance, or tariffs inadequate to protect home industries."

This sort of talk at least leaves one thing upon which Mr. Williams and Mr. Hearst can agree: that if Secretary Chapin doesn't hurry back to his diplomatic duties it may soon matter much less by what name the "Buy Uncle Sam's American" movement is called.

Kroger Consults

Some 750 housewives will advise the food chain on its new products.

WITH 4,885 stores, the Kroger Co. has a vital interest in knowing what the public wants. Hence the Kroger Food Foundation, established a little over a year ago (*BW—Nov4'31*), to work for the improvement of food cultivation, preservation, transportation, distribution, and final preparation.

Its laboratories, financed by the income of a $1-million fund set up for the purpose, have studied foods from farm to table. To parallel the work with the farmer and the transporter, there was developed the Cooking School and Food Institute.

Now comes establishment of the Homemakers' Reference Committee, to provide accurate marketing information, and, incidentally, to consolidate Kroger's position in several hundred households.

Some 250 women (soon there will be 750 of them) picked from all income groups in the many towns and cities served by Kroger stores will act as advisers and consultants to the Food Foundation. To them, Kroger will submit merchandise for an actual kitchen test. New plans will be tried out on them first.

Opinions should be unbiased, for there is no payment. Housewives who make up the committee are naturally interested, feel they are repaid by what they learn, by the sense of pride in being consulted, and, of course, by the samples they are asked to try. These samples, by the way, are sent out without labels, in numbered containers. In one case, the company was happy to learn that its own brand was much preferred to that of a competitor, both being incognito.

In addition to valuable reactions on labels, store layouts, containers, and merchandising methods, Kroger gets invaluable word-of-mouth advertising, and makes better customers out of good ones.

"Endless" Chains

Too many chains and not enough links complicate revival of an old selling scheme.

SELLING by endless chain, which has increased enormously during the past 2 months, is under federal scrutiny. Enterprises using the method declare they are giving work to white-collar victims of unemployment, announce that they will battle in the courts for the right to continue. Over 100 chain selling schemes are operating out of New York. These and their imitators have carried the magical features of the idea to the farthest corners of the country. Some of the things thus sold are fountain pens, hosiery, wallets, razor blades, stationery, golf balls, kitchen utensils, clothing, bridge sets.

Here's a typical example: You buy for $3 a box of 3 pairs of silk stockings; then you sell 4 similar boxes. On the fourth sale your commission is $1. Each customer is supposed to start selling to others, and on the first 3 of every succeeding series you also receive $1 commission per box. Your total commissions at the 10th stage of this process would be $29,524—if the chain continued without a break.

Here is the trouble. Many of the "agents" fall down before the fourth sale and its commission is reached; actualities play hob with the geometrical progression. If this didn't happen the scheme would soon be stopped by 100% saturation. Everyone in the country would possess the hose. Also entry of competing companies in the field reduces the possible number of customers for the merchandise.

Certainly many chain selling concerns are on the level, are giving the white-collar jobless some income and more hope. But Better Business Bureaus are making inquiries and postal authorities are examining the plan. Kindred schemes have been outlawed by fraud orders, the government classing them as lotteries. New York's Better Business Bureau cites the 1927 decision of the U. S. Supreme Court which obliterated the Tribond Sales Corp. (stockings) and a host of imitators. But this company sold coupons. Proponents of the present plan say they're within the law because they are selling actual merchandise

The idea goes way back. Some credit it to Oscar Auton, of Gagetown, Mich., who in the '90's devised a coupon by which a first payment of $3.75 waxed until it obtained a $60 buggy. A court decided this was gambling because the deal relied on problematical rewards, not primarily on the merchandise.

Listeners-In

New kind of radio survey finds 49% of the sets turned on for most popular program.

IN an attempt to tune the static out of the claims for radio advertising, Arnold Research Service, New York, discovered some surprising things. The

International News

CABIN GYRO—This first of the new 5-passenger autogyros was purchased by Henry L. Doherty for Florida All-Year Club ferry service. The pylon is hinged to compensate for extra passengers. The man in the window is Auguste Piccard, whose 10-mile balloon trip into the stratosphere took him and his companion further off the earth than any other human.

highest percentage of radios in use for the hours chosen was 52%, the time was 9:30 on Tuesday evening. Suggested reason: That is the hour when Ed Wynn and his giggles hold forth to the glory of Texaco Fire-Chief Gasoline. Average of radios in use from 7 to 8 and from 9 to 10 p.m. was 38%. It may disturb the broadcasting industry to learn from the survey that 45% of the listeners did not recognize the companies sponsoring the programs.

Telephone Survey

The figures are preliminary. They were obtained by calling 10,000 homes on the telephone during the 4 weeks to Dec. 26. Only the basic city areas of communities north of the Ohio River and east of St. Louis were covered. To complete the survey, 20,000 more calls are to be made. By discovering exactly what program was being heard at the time of the 'phone call, it was possible to gauge the competitive value of the broadcasts. Allowance must be made for the fact that each program was not heard in every city, and that all time periods were not covered.

Ed Wynn topped all entertainers, with 74% of listeners. Other leading programs in their order were Robert Burns cigar, Maxwell House Coffee, Goldbergs, Eno's, Blue Ribbon, Amos and Andy, Tastyeast, Stoopnagel and Budd, Ponds, Barbasol, Buick.

Usually an advertiser accepts the count of fan mail as the test of a program's pull. Arnold Research set out to get a picture of the actual audience listening to a given program, and the percentage of these aware of the product being advertised or the sponsor.

Canadian Radio

Legally it has come under government control; actually there is still little change.

LATE last May, when the Canadian government passed a law giving the government the right to "take over" radio broadcasting stations, there was a good deal of misgiving.

Canadians were divided on the plan. One group was all for maintaining the present privately-controlled system, which had developed along the same lines as broadcasting in the United States. Another group was eager to try the "Continental" system. Since the British follow the Continental system with broadcasting a government monopoly, and since Canada was momentarily extremely "empire-conscious," there was not a little interest in following the example set by London.

Since that time the Canadian Radio Broadcasting Commission has been set up, with Hector Charlesworth at its head. Most licenses to broadcast do not terminate until Mar. 31, however, so little can be done now beyond preparing for the shift.

Actually, there will be little change in the routine at first. The C.R.B.C., for example, though it has the power to take over high-powered stations, will do nothing of the sort right away. Neither will it plan to go ahead with the project of erecting a series of high-power stations across Canada, as was suggested when the law was passed. "It costs too much."

According to the terms of the law, the new commission will limit advertising to 5% of total broadcasting time. Not even this will cause much change, for the Canadian stations have pretty closely followed the practice of the American stations, where the average time devoted to advertising is little more than 3%. Some advertising regulations are promised by the commission "within the next 2 or 3 months." And whenever strictly government-sponsored programs are broadcast there will be no advertising. All broadcasts for patent medicines have already been put under the control of the Department of National Health, which rigidly revises their continuities when necessary.

Already Has Tax

Canada has had one feature of the Continental system for some time. This is the taxing of radio sets by the government. Until last year when the law was passed, this tax was $1 a year. Now it is increased to $2. With about 700,000 registered sets, this will give the government about $1½ millions in revenue to carry on the broadcasting work and extension program. Alone, it will not go very far. In Germany, for example, which is generally considered the most economical "single coverage" system in the world, the annual tax is $6 on receiving sets (the unemployed are required to pay no tax). Germans finally confined all advertising to one hour, between 8 and 9 a.m. Italy charges a small license tax when new sets are installed and an annual compulsory tax of about $4. Advertising is confined to about 40 minutes a day, scattered throughout the programs. Sweden and England both charge about $2.50 a year as taxes on receiving sets.

Electric Clocks

U. S. Court rules against Telechron; use of other clocks on its circuits is not infringement.

TELECHRON, inventor of a master clock for power stations, has claimed that to plug in an electric clock of any other make on the circuits of the power company using one of its master controls was an infringement of patent. It claimed patent monopoly of the entire system under such circumstances. The lower court upheld this contention.

U. S. Circuit Court for the Southern District of Ohio has reversed the lower court. Judge Hickenlooper's decision is that Telechron's control cannot extend beyond sale of the master clock. Kodel Electric & Manufacturing Co. was the defendant-appellant, helped, according to report, by other electric clock manufacturers.

Hired Men

Back to the farm movement brings rural wages to the lowest point within memory and kills mechanization for the present.

FARM wages have dropped to less than 50¢ a day, according to the U. S. Department of Agriculture, which says that in January you could hire a farm hand for $14.07 a month with board. This was less by $6 than was paid farm labor from 1910 to 1914. The supply is the largest in a decade and is constantly being augmented by a large migration back to the farm. The gain in farm population during the last 2 years is estimated at 648,000 and contrasts sharply with the farm population losses for the last 10 years to which the country had become reconciled. The movement back to the farm has been largely confined to the natural urge of the unemployed portion of the population that can go back to a parental roof or those that have other roots out in the country.

Colonizing Projects

Further movements back to the land are being stimulated by charitable and civic organizations to include in some cases farm boys and girls with no present farm ties who have met with economic defeat in cities, but who have not lost the art of country life. In other cases colonizing movements are being developed of unemployed who have never lived in the open country. This latter movement is being watched with apprehension by social workers.

The significance of this movement from the standpoint of the cities and industry must not be overlooked. It relieves charity and relief organizations. It empties the towns and for some time will have its effects on real estate and renting values and certainly will postpone new construction. The cheap labor, available on virtually all farms, makes labor-saving devices for the present less important. Until urban wages begin to draw back this group of migrants, farm machinery companies cannot hope to sell large quantities of equipment to the farmers. The effect on sale of packaged food will also be felt as this excess farm labor begins to employ itself by growing a vegetable garden, canning its own food and doing its own baking.

Construction

Responding to the pull of adversity, heterogeneous groups of widely assorted associations unite to form a single body that will work and speak for the building industry as a whole.

FOR the first time, materials men, contractors, engineers, architects, and machinery manufacturers interested in construction of highways, bridges, buildings, residences, public works this year held a single convention instead of a series of scattered conventions. And this action, originally conceived as an economy measure, led to a bigger result. Gathering together, they began to discuss common problems, and in the end decided to unite under the aegis of the Construction League of the United States, creating for the first time one unified body which is to work and speak for the construction industry as an integrated whole.

This is the most important outcome of what started out to be the Highway and Building Congress last week in Detroit. Twenty-two organizations participated, virtually all the associations that are in any way connected with construction. After discussions, they named a plan and scope committee of 3 which will report to a general committee of 22, one from each of the associations. Members of the plan and scope committee are Robert D. Kohn, architect, general chairman of the Construction League; A. C. Tozzer, vice-president of Turner Construction Co., new president of Associated General Contractors; Col. Willard T. Chevalier, publishing director, *Engineering News-Record*.

A platform of 23 planks was adopted. It declares for a public works program; demands economical current expenditures of government, the construction program to be financed out of capital account. It advocates liberalization of the R.F.C. Act, both as to definition of self-liquidation requirements, and as to rates of interest.

Another plank suggests that sewerage and sewerage disposal be made self-sustaining through service charges. Federal aid to state highway improvement should be equal at a minimum to the federal tax on gasoline and tires. The platform demands there be no diversion of motor vehicle and gasoline taxes from highway uses and suggests that part of the revenues be devoted to maintenance and improvement of city streets.

Low-rental housing construction is endorsed. Communities are urged to start campaigns for rehabilitation and repairs.

Construction work should be done by the most efficient methods; the substitution of hand labor to make work is an economic fallacy.

Stepping a little outside the field of construction, the platform ventures to suggest an emergency general sales tax as a means of reducing other forms of taxation, and, as a climax, suggests monetary inflation in these terms:

"We recommend that if further financial measures are found necessary to restore employment and value, consideration be given by Congress to the establishment of a rigidly controlled increase of circulation by issue of currency based on labor and materials actually expended in useful construction, such currency to be issued only as compensation for work completed."

Wide World

STYLING UP—The artist as well as the engineer makes a contribution to modern merchandising. In New York, the annual show of art in industry is on at the Art Center. In Detroit, the Society of Arts and Crafts offers an exhibit featuring the use of design in the automobile industry. Here is 26 years of Packard development. Right, with arm around the 1907 radiator, is Alvan Macauley, president of Packard; left, behind the 1933 radiator, is Edward Macauley, his son.

Edison Institute

Important questions of policy still to be worked out.

LAUNCHED impressively, with the blessing of the industry's great names, the new Edison Electric Institute, successor to the National Electric Light Association, is not having smooth sailing.

Membership includes 85% of the industry, but the percentage of unanimity as to just how the new institute shall proceed apparently is something less than 85%. Important questions of policy yet to be determined: whether, or how, to carry on cooperative projects with other branches of the electrical industry; which, if any, committee activities of Nela to continue; attitude toward membership admissions.

Minor, but still important, is the question of how to dissolve Nela. Not a corporation, but a voluntary association formed in 1885, Nela has assets of present market value of $1 million. What is to be done with these?

Central News

RELIEF MONEY—Although only scrip money, the Germans put as much care into its design as they do into the real thing. Scrip is distributed to the needy, who buy food and clothing with it. Endorsed by shopkeepers, it is redeemed by the local relief committee.

Glass Bill Cracked

Branch banking has been sacrificed in order to drive into the open the fight against security affiliates.

SENATE passage of the Glass bill with the Bratton amendment virtually kills the branch banking provision. Under its terms branch banking is permitted only in those states that grant branch bank privileges to the state institutions. There are 9 of them: California, Arizona, the Carolinas, Virginia, Delaware, Maryland, Rhode Island, Vermont. The sponsors of the amendment have copied the provisions of the McFadden bill whereby city branch banking was made permissive in those cities where states already grant similar privileges.

This action is the death knell of a number of banks that would have been taken over as branches by stronger institutions. According to the comptroller, these smaller banks will have to close their doors and additional large areas will be left without banking facilities.

In New York, the state bank commissioner has recommended to the state legislature that the state banks be permitted to establish branch banks within state limits under certain restrictions. There is as yet no good guess whether the bill will pass. When the commissioner made his first announcement Wall Street was apathetic. With the passage of the Bratton amendment, the fight for branch banking in New York State will be shifted from Washington to Albany.

By disposing of the branch banking provisions the ground is cleared for House discussion of other significant features of the Glass bill. Branch banking, thus far, has served as a cloak behind which could hide the provision to dissociate the affiliates from the commercial banks. In consequence of the experience of the last few years, whereby the reputation of so many of the large commercial banks in New York City suffered because of their sponsorship of bonds that ultimately went bad, it would seem that these banks would welcome the opportunity to divest themselves of an adjunct which has proven, if not altogether unprofitable, at least embarrassing. However, the loss of the affiliates by legislation appears to involve larger losses than was at fist realized, and whatever the ultimate policy of the city banks might be in ridding themselves of the affiliates voluntarily, they do not wish to be forced through legislative mandate.

The filibuster against the branch bank provisions of the Glass bill was surreptitiously aided and abetted by those who knew what they wanted, in the hope that the entire Glass bill could be sidetracked. It now appears that, on the whole, branch banking was sacrificed to clear the way for the provisions that would force commercial banks to dispose of their affiliates. The next move is up to the House, which is likely to do nothing this session.

The provision of the Glass bill which removes the Secretary of the Treasury from the Federal Reserve Board should be kept in the bill. Such removal was advocated by Paul Warburg and other important bankers, after 1920, when interference with the discount rate in favor of Treasury financing sharply brought to the front the impropriety of having the largest borrower also control the borrowing rate.

Bankruptcy

The Senate is debating farm debt reduction and adjustment by rural farm bankruptcy councils.

THE first effect of the President's recommendation (*BW—Jan25'33*) that provisions be made for voluntary adjustments between debtors and creditors was the submission of an amendment in the Senate to the Bankruptcy Act of 1898 which authorizes courts of bankruptcy upon petition of 15 farmers to set up local conciliatory commissions. Any farmer may appeal to the conciliatory commission to call a meeting of his creditors and avail himself of their services to reach a mutually satisfactory debt adjustment with the majority of his creditors. The bankruptcy court will then confirm the proposal and there shall not be permitted any proceedings against the farmer in any court for debt, including accounts, mortgages, sale contracts, executions, garnishments, attachments, mechanics' liens, or seizure.

In the House there is also to be introduced, by the Committee on Judiciary, a report dealing with the same subject, but it carries a provision which is aimed particularly at the situation in New York City, where the Irving Trust Co. is receiver for 5,000 cases. The Donovan report some years ago had disclosed unbelievable and discreditable conditions in the bankruptcy administration which resulted in the removals, resignations, disbarments, and convictions of scores of lawyers. So the courts have arbitrarily divested themselves of the authority which the law gives them and have by common consent agreed to give bankrupt cases to the Irving Trust Co.

Attorneys naturally haven't liked losing bankruptcy fees, now desire to have the old procedure restored, whereas the Chamber of Commerce and the Merchants' Association protest against a change.

Job-Sharing

5 millions helped by work-spreading, Teagle Committee estimates.

OVER 5 million persons have received regular employment through job-sharing according to Walter C. Teagle's Share-

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for 113-inch wheelbase 70-h.p. chassis, f. o. b. factory (tax extra).

INTERNATIONAL HARVESTER'S new half-ton, 6-cylinder truck is far more than a routine new model. An International chassis priced at $360 is real news for every truck user. Backed by the International reputation for quality and service—here is an outstanding value in performance and economy. Call at any International branch or dealer's showroom and see how exceptional quality has been clothed in style and beauty. In the light-truck field we offer you the new International Model D-1 as a *value beyond comparison.* You are cordially invited to inspect this new truck.

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the-Work Committee. Estimates are based on Department of Commerce and Department of Labor figures. Analysis of returns from 21,884 concerns shows that 77% are spreading work to carry a larger number of employees through the emergency. Their total of workers is 1,176,513. Of these 242,000, or nearly 21%, are stated to have been retained through job sharing, and 33,221 were added from the unemployed as a result of the same process. Importance of this stop-gap is emphasized by the announcement that employment fell 0.4%, payrolls 0.9% during December. The general index of manufacturing employment stood at 58.3 for December, against 66.7 for the same month in 1931. (In these computations, the 1926 figure is taken as 100.)

	Percentage Decreases in Price Between December, 1932, and —			
Item	*June, 1932*	*December, 1931*	*December, 1930*	*December, 1929*
Food	1.4	13.6	28.1	37.5
Clothing	4.9	10.3	20.6	24.3
Rent	7.7	13.4	19.5	22.3
Fuel & Light	0.1	6.6	10.3	12.2
Housefurnishings	3.9	11.8	21.7	25.4
Miscellaneous	1.4	3.0	4.2	4.1
	2.7	9.4	17.8	22.9

COST OF LIVING—Comparisons by the Bureau of Labor Statistics show that prices have fallen unevenly, that on some items, notably food, the declines have begun to slow up in the last 6 months, while rents, for example, are now coming down faster than in the past.

Cost of Living

Prices of the things we must buy to keep going are still dropping, but the rate of decline on some items–notably food–is slowing up. Rents, however, are now beginning to fall more swiftly.

THE income by which Mr. John Citizen provides his living has been falling with the business index, if not a good deal faster. The cost of Mr. John Citizen's living has also been falling, but not quite so fast and, on the whole, he has been rather foggy about the relation between the two.

Every once in a while the Bureau of Labor Statistics makes some computations to clear him up on this subject. The latest, just issued, show that he was breaking even with the family budget at the end of last year only if he was getting within 22.9% of what he made at the end of 1929. The cost of living, says the bureau, fell that much in the 3 years.

However, the costs of the items that comprise his main budgetary divisions haven't fallen in the same proportion. Between December, 1929, and December, 1932, food decreased 37.5%, clothing 24.3%, rent 22.3%, fuel and light—whose rates are so well pegged by interest and distribution costs—only 12.2%, housefurnishings 25.4%, miscellaneous items 4.1%.

If John finds a slowing down in the rate of decrease in living costs prophetic of a stabilization of his income, he has some reason to be encouraged by the latest reports. The drop for the year from December, 1931, to December, 1932, was 9.4%; from June to December last year it was only 2.7%. For those who have no incomes at all the news will not be so cheering.

An examination of the accompanying table, comparing declines for the last 6-month period with those for the last year, the last 2 years, and the last 3 years, will bring out significant variations in the rate of decline on the various classes of items entering into the official cost of living. For instance, it will be noted that the drop in food prices has been sharply cut in the last 6 months, for which it was only 1.4% against 13.6% for the year; that rents, with more than half the decrease since December, 1931, coming in the months since last June, are now dropping faster that they did in earlier periods. Landlords must be listening.

Obviously, a good deal depends on where John lives. The percentage of decline varies a little from city to city, and the range has widened in the last 6 months. Smallest decline in the cost of living from December, 1931, to December, 1932, was in San Francisco, 6.7%; largest was in Houston, Tex., 12.8%. For the June–December period the drop varied from 0.9% in New Orleans to 5.1% in Houston. For the depression years since 1929, San Francisco has seen the least decrease, 19.8%; Detroit the greatest, amounting to 29.3%.

The country as a whole, is now paying 7.2% less to live than in 1917, and 39% less than in the record month of June, 1920; but we are still taxed higher than in 1913 for everything except food. The fact that food prices are now 1.3% below those of 19 years ago against an increase of 32.1% in the general cost of living helps to explain the importance of the farm problem.

Insurance Sales

Last year's decline of 17.9% left new life insurance volume at about the 1924 level.

AFTER spending 3 weeks of the new year totaling up their books for the old one, 44 American life insurance companies have told Roy D. Chapin, Secretary of Commerce, that they had sold in 1932 about 17.9% less new insurance than in 1931. By classes the sales declines were: ordinary insurance, 19.9%; industrial, 11.4%; group, 21.2%. Except for industrial insurance, which went ahead of 1931 sales until May, there were practically no good months for any kind of insurance sales after January—in which all classes showed small increases.

Since the 44 companies reporting through the Association of Life Insurance Presidents do 81% of the total business handled by all United States legal reserve companies, these are the figures that will go into life insurance history.

1932 Biggest Decline

Using them to bring the records up-to-date, Mr. Chapin will find that 1932 produced the biggest decline of the series that started in 1929, following steady procession of increases since 1913, interrupted only in 1921. Digging down into the details will show him that, besides sharing the general setbacks of 1921 and 1930-32, ordinary insurance sales fell off also in 1914 and 1927, group insurance also in 1927 and 1929, while industrial insurance, by contrast, picked up in every year previous to the current unpleasantness. And statistical curiosity may lead him to note that, on the whole, 1932 sales were about at a level with those of 1924—which, it may be remembered, didn't look so bad back in 1924.

Dream a bit about the days you wish to enjoy in your autumn years

Metropolitan Life's contracts afford a means to

—create estates and incomes for families

—pay off mortgages

—educate children

—provide income in the event of retirement

—establish business credits

—stabilize business organizations by indemnifying them against the loss of key-men

—provide group protection for employees covering accident, sickness, old age and death

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Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

IMAGINE that you have reached the day when work is a matter of choice — not of necessity — and that you have a fixed income, as sure as the rising and setting of the sun, or the change of seasons. And that your time is your own to use as you please.

Perhaps you will travel. Maybe you would like a little place in the country where you can putter around in the garden. Or possibly you would like just to settle yourself in a comfortable, sunny room with the books that you have always hoped to read.

Wouldn't you like to have plenty of leisure and the means to enjoy your life in your own way?

There is a flexible plan, adapted to any pocketbook, which provides a fixed, regular income at retirement age. The plan works out as successfully for the man of simple requirements as it does for the man of large ambitions. For either men or women it is the safest plan in the world.

Dream a bit about the days you wish to enjoy in your autumn years of leisure and comfort.

AND

Mail the attached coupon and we will send a Metropolitan Field-Man to show you how other people have made their dreams come true and how, perhaps, you can realize your own.

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International News

GANGWAY—The mechanical gangways at the new Cherbourg transatlantic terminal fit any ship and tide; are built to handle passengers and baggage swiftly in any weather. Elimination of tenders saves hours.

Seatrain See-Saw

The dog-fight between the seatrains and their land and water rivals is uncovering things more remarkable than the ingenuity of the new kind of service they offer.

REMARKABLE among new modes of transportation is the seatrain which takes a mile of cars out to sea at Hoboken and sets them back on the rails at New Orleans. More remarkable is the record hinting how the government was induced to underwrite the experiment. But most remarkable is the fact that these vessels, built with aids intended for American shipowners competing on foreign trade routes, should be operating in the protected coastwise trade in competition with American steamship lines that put up their own capital.

Railroads Won't Play

The railroads, too, are upset by this new-fangled competition for traffic between the Atlantic seaboard and the Southwest. They have just refused to participate in joint rates with Seatrain Lines, Inc., and have tried to cut off its car supply. Denying on the one hand that it is subject to the I.C.C.'s discipline, the company has just presented with the other a petition for an order that would require the railroads to join in through rates and permit delivery of their cars by the Hoboken Manufacturers Railroad, Seatrain's terminal subsidiary, to its vessels.

Railroad men charge privately that political connections have given Seatrain Lines advantages never intended by the law to foster the merchant marine. They allege openly that the company is operating in violation of the Interstate Commerce Act. But even here they are shooting in the dark most of the time, so the I.C.C., which last October ordered a formal investigation into the lawfulness of Seatrain's interstate operations, has put its own agents on the trail. Hearings will resume when the bureau of inquiry delivers what it has turned up. Meanwhile, the commission has just granted the car carriers permission to establish class and commodity rates between points they serve without observing the long and short haul provisions of the Interstate Commerce Act.

The first seatrain, built in England to save money, was put in service between Belle Chasse, La., and Havana in January, 1929, and by the spring of 1931 had captured more traffic than the 3 competing steamship lines. Graham M. Brush, its inventor, wanted to build another. The right people in Washington were interested. The Navy thought it might have possibilities as an airplane carrier and when the Post Office Department advertised for mail service on the New Orleans–Havana route in August, 1931, the specifications called for cargo vessels "carrying not less than 90 railroad cars" and provided that the contractor build 2 ships of this description in American yards.

Got Mail Contract

Comptroller-General McCarl, the martinet of government accounting, tried to hold up the deal until the I.C.C. had ruled on the application of the Florida East Coast Railroad to inaugurate competing car-ferry service. But Postmaster-General Brown told General McCarl to go back to his abacus and handed the $2,200,000 mail contract to Seatrain Lines in October. In December the Shipping Board granted a construction loan of $2,379,000 because it was secured by revenue from the mail contract, although the vessels are not adaptable to the regular cargo trade.

Seatrain Lines had opposed the Florida East Coast project on the ground that there wasn't enough business for both lines on the New Orleans–Havana route. While the new seatrains were building in the Sun shipyards at Chester, Pa., last summer, the company was busy scouting for foreign traffic from New York to Havana and domestic traffic from New York to New Orleans. From the record of hearings and correspondence it appears that the company had informed both Post Office and Shipping Board officials that because of the decline in traffic between New Orleans and Havana, service on another foreign trade route would be necessary to employ both of the new vessels, but Admiral Hutch I. Cone, chairman of the board's construction loan committee, testified recently before the I.C.C. that "nothing was mentioned or came to my notice to lead me to believe that there was an intention to operate these ships in other than foreign service."

Needed Greener Pastures

The showdown came last September, when Seatrain Lines stated bluntly that it must be authorized to carry domestic as well as foreign commerce to avoid financial difficulties which would jeopardize the board's investment and, of course, the company's stockholders. The seatrain *New York* was at Hoboken ready for sea on Oct. 6, when the Shipping Board granted permission to the company to operate between New York and New Orleans, via Havana, for 6 months on condition that the company relinquish all mail pay on the New Orleans–Havana route for this period—$120,400 or more than $650 a day.

Since then the Shipping Board has

turned another somersault by removing this condition, declaring it to be the concern only of the Post Office Department. This has left Postmaster-General Brown free to negotiate a compromise previously suggested by Seatrain Lines, waiving that proportion of its mail pay that earnings from coastwise traffic bear to the total. On Postmaster-General Brown's testimony that this modification would be very greatly to the government's advantage, the Senate Appropriations Committee has restored the appropriation for the mail contract, struck out by the House on his testimony a few weeks before that "we have not been able to see the propriety" of Seatrain's proposal as there is "no authority in the Merchant Marine Act for any subsidy to a coastwise line."

Job for Democrats

Shipping Board members who may get the gate when the Roosevelt administration comes in refuse to worry about what's to be done when Seatrain's 6-month permit expires. Their successors will have to discover the "out" between the incursion made by Seatrain Lines into the coastwise trade of the steamship lines and the peril to the $2,379,000 loan in excluding them.

Complete regulation of the Seatrain's operations by the I.C.C. may be the ultimate result. Its service between New York and New Orleans may be construed as an extension of a rail line, as this was not inaugurated until several months after Seatrain Lines bought in the Hoboken Manufacturers Railroad last April. If the commission so finds, the company is operating without a certificate of public convenience and necessity required by the Interstate Commerce Act. The financial interest in Seatrains of the Van Sweringen brothers' Missouri Pacific and of Texas & Pacific, its subsidiary, also gives the I.C.C. a limb on which to hang jurisdiction.

Washington Speculates

It was partly that interest which started Washington speculating about Seatrains' "political connections." Joseph R. Nutt, vice-president of the Vans' Nickel Plate and good friend of the Postmaster-General since boyhood days in Cleveland, is treasurer of the G.O.P. L. W. Baldwin, president of the Missouri Pacific, is close to Administration leaders. Eastern treasurer of the Administration party is Jeremiah Milbank, whose brother, Dunlevy Milbank, is a director and stockholder in Seatrains. All of which causes no great stir among the old hands at the capital, though the youngsters do gossip. Political connections can be used legitimately, and cleverness is no bar to subsidies. It shouldn't be surprising to find men with clever ideas using their influence to get past obstacles.

Both railroad and coastwise steamship lines contend, of course, that Seatrain Lines benefits by an outright subsidy. Seatrain replies that the mail contract doesn't cover the added cost of building the ships in American yards—$1.6 millions each—that, according to Mr. Brush, is double the cost abroad.

Superiority of Seatrain's non-break-bulk service, in which the railroad car serves as the package for the freight, is conceded, but the break-bulk lines assert that its rates are not made with reference to the alleged economy of its operation but designed to obtain a monopoly in the coastwise trade. Seatrain Lines has declined to reveal its operating costs. Realizing that they can't compete with the Seatrains on equal rates, the break-bulk lines and their rail connections have announced that they will cut rates sufficiently to offset the advertised advantages of the new service that, to date, has done more business on the Potomac than on the Atlantic.

One advantage, not advertised, was tried out this week by smugglers who thought they could run $50,000 worth of liquor into New York from Cuba on the seatrain *Havana.* Seatrain officers don't open cars. Customs men may not, but they frequently weigh them. When the liquor car, billed as a car of animal bones for fertilizer, proved inexplicably overweight they investigated, seized.

Nitrate

Suggestions for a supplement to a guide book for distinguished visitors to Muscle Shoals.

As he looked over the vast plant at Muscle Shoals, including its "mausoleum of nitrate producing machinery," the President-elect might well have held in his hand for ready reference the newly published figures on the world's nitrate capacity, and its consumption.

Nitrate producing capacity of the world is estimated at twice the consumption of the record year, 1929-30, and 140% in excess of last year's consumption. Yet building goes on and on, each nation determined to be self-sufficient, especially in time of war.

Consumption of inorganic nitrogen in the United States for the year just ended is estimated at 225,882 tons, against 297,410 tons in 1931, and 431,270 tons in 1930. As a freak development, it may be noted that this country exported last year more nitrate than it imported and imported more sulphate of ammonia than it produced—both for the first time in history.

Prices dropped terrifically; the industry is badly depressed.

Which helps explain a certain lack of enthusiasm among manufacturers for the privilege of leasing and operating the Muscle Shoals plant.

Wide Reading

THE RACKET ON CAPITOL HILL. Hilton Butler. *American Mercury*, February. Incidental bills from the Senate include expenditures for cosmetics, $9,000 for mineral water, travel expenses for information available in Washington, salaries which look grand to many a professional worker. An indictment of Washington's "We can cut no further."

FRANCE AND GOLD. Paul Raynaud. *Foreign Affairs*, January. The strength and weakness of a big stock of gold.

MUTUAL LOOT. *Nation*. Jan. 25. If the "Kent plan" for rehabilitation has no real merit, the taxpayers are in for some heavy losses. If the plan works, banks and industrialists will profit. Why should they not shoulder whatever losses may be involved?

HIGH TARIFF—LOW TARIFF: WHAT IS BACK OF THE CONTROVERSY. Kenneth W. Stillman. *Forum*, February. More than 72% of the gainfully employed in this country get no benefits from tariffs. They raise the prices on some of our most essential daily needs. Behind a tariff, our exports have declined faster than our imports.

AMERICAN MACHINIST SHOP EQUIPMENT REVIEW. *American Machinist*, Jan. 18. Semi-annual review of progress in the machine tool industry.

NEW "CONSTRUCTION METHODS." *Construction Methods*, January. A 14-year-old magazine—planned to picture current construction practice in terms of improved methods, machinery, and materials that help in planning the job—dresses up in a new format, goes in for rotogravure printing. To be watched by alert construction engineers.

"BANKOCRACY"—AN INDUSTRIAL ANSWER TO "TECHNOCRACY." G. L. Lacher. *Iron Age*, Jan. 19. A plea for the necessity of stopping the "self-perpetuating downward spiral of deflation"; for stimulating consumption by artificial means.

TECHNOCRACY—TEMPEST ON A SLIDE-RULE. Virgil Jordan. *Scribner's*, February. Technocracy is merely an "escape psychology." The engineering utopia which it forecasts is a dream easily blotted out by practical economists.

THE BUSINESS OUTLOOK FOR 1933. *The Annalist*, Jan. 20. Annual review of the business year, charted and analyzed.

REPORTS—SURVEYS

A SUMMARY OF THE UNITED STATES CENSUS OF 1930 FOR ALL CITIES OF 100,000 AND MORE. E. Katz Special Advertising Agency, New York, 37 pp. A neat summary of the most valuable merchandising and advertising information contained in the bulky 1930 census.

A SURVEY OF A RETAIL TRADING AREA. Fred M. Jones. University of Illinois, 32 pp. How to make a survey, with concrete examples from a case study of the Champaign-Urbana retail sections.

THE AVAILABILITY OF BANK CREDIT. National Industrial Conference Board, 146 pp., $3. Good chapters on the basis of banking instability and bank credit liquidation, and the effects on American industry.

What About Russia?

Several American industries are pushing plans to get more Soviet orders in 1933. Details of Germany's trade with Moscow last year are scrutinized carefully because the Germans supplied nearly half of Russia's imports. Here they are.

THERE are 3 reasons why American executives should be interested in the announcement this week that the Soviets bought only $15 millions worth of American goods last year.

In the first place this is exactly $100 millions less than the total of Soviet orders in 1930, peak of the trade flow from Moscow. In the second place, the informed executive knows that powerful forces in the business and political world are working hard to get recognition of Russia out of the new Administration, and as soon as possible after it comes into office, in the hope that this country will regain at least a part of the advantage it once had in the Soviet market. But finally, 3 other countries—one of them Germany to which we have loaned billions, one of them Persia which is not ranked in the first class of commercial nations—sold more to the Soviets last year than we did. And no one, here or abroad, has yet reported a default on any payment due from Moscow.

Much Behind Scenes

A good deal is going on behind the scenes in this country. Rumors get out occasionally to indicate how far things have gone. This week there is the report that North Carolina textile mills are dickering with Soviet representatives over a plan to sell the entire output of a number of American mills to the Russians for a period of 18 months. Involved is more than 10% of the current print cloth output in this country. The R.F.C. is mentioned in the financing though not yet committed, if current rumors can be trusted.

There is talk also of the procedure Roosevelt will follow in setting up some commercial accord with Moscow. Even when half of these reports are discounted, there are enough left to make the Russian situation of extreme importance to the immediate business future.

Eyes on Berlin

In all the talk, a lot of attention is paid to the business which Germans are doing with the Soviets, for in 1931 Berlin jumped ahead of New York as the Soviet's chief supplier. Berlin in that year sold the Russians $220 millions worth of goods. Totals for last year are not yet definitely available, are estimated at more than $100 millions.

The Business Week's Berlin correspondent has made some interesting studies of Soviet-German trade. In spite of the decline in new orders, the volume of Germany's export shipments to Soviet account in the first 9 months of 1932 was 11.3% of all German exports for that period. In 1931, when Germany's sales to Moscow were highest, they totaled only 7.9% of all German exports.

It is true that no other country had such favorable export terms. Germans have accepted credits on this business which Russians need not pay for 3 years. Also, Germany has made an effort to fill as many of her own foreign requirements as possible in Russia. Last year, however, with Germans following a course of extreme protection of domestic agriculture, the flow of Soviet products into the Reich was seriously curtailed though they still made up 6.4% of all imports compared with 4.5% the previous year.

The real triumph for Germany is revealed in the Soviet's trade data. Where Germany supplied only 37.1% of all Soviet imports in 1931, this total climbed to 45.4% in the first half of 1932, while imports from the United States in the same period dropped from 20.8% to a bare 4.7% of all products coming into Russia.

The importance of this trade to Germany is revealed in such data. More than 860 German firms participated during the first half of last year. And in this year when most firms were pinched for credit, 173 did their first business with Russia. At least 49 firms received orders exceeding $125,000 each during the first 6 months.

There are 4 developments in German-Soviet trade which will interest American executives who may be weighing the prospect of more Soviet business in 1933.

Government Guarantees

Germany, like Great Britain and Italy, has a system of government guarantees for exports, particularly to Russia. The trade agreement signed in Berlin in the spring of 1931 provided for a definite volume of business which would be transacted between Germany and Russia in return for unusually favorable credit terms which the Reichsbank promised. When Germany's creditors last year questioned the extension of so large a volume of credit, it became

GOLD RUSH—Moscow, in need of gold to meet payments abroad, guaranteed minimum income to miners, promised supplies at the same low prices offered to industrial workers, started air lines to maintain rapid communication. Soviets responded. Eastern Siberia produced 60% of all Soviet gold last year.

necessary to curtail the volume to the limit of maturing credits. To extend this limited credit over as large a volume of business as possible, Berlin reduced the amount of the government guarantee from 70% of the total credit extended to the Soviets, to 60%. Terms generally remained the same, with a maximum between 28 and 30 months.

Consortia Ailments

The discounting of Russian bills has been handled in the last few years by consortia of German banks. Early last year, the formation of new consortia to handle new issues of bills became difficult because of the strained position of the banks. While the "Russland Consortium, No. 10," formed in the beginning of 1932, took over $26 millions of guaranteed Soviet bills, the succeeding consortium—known as No. 10a—was formed only at the end of the year and after considerable difficulty. The group will discount only up to $16 millions of the government-guaranteed Soviet bills, though 15 banks headed by Deutsche Bank spread responsibility.

The credit agreement of June 15, 1932, provided that the Soviets should pay interest on outstanding bills at 2% above the Reichsbank rate, with a minimum of 7% and a maximum of 10%. When the Reichsbank rate dropped in September to 4%, the Soviets protested against payment of 7% interest and subsequently the Germans reduced the rate to 6%.

Bootleg Markets

Russians have been troubled in Germany, as elsewhere, with the stigma of having some of their bills discounted on "bootleg" markets at as much as 30%. In Germany, because of the agreement of the banks to discount the portion of the bills underwritten by the government, this market has dwindled. During the year, Soviet agents cultivated the habit of writing into their contracts with German firms the stipulation that, should the manufacturer attempt to offer on the black market at drastic discount any portion of his Soviet bills, a fine of 20% of the amount of the order would be charged out of due payments. Large industrial companies have, in most cases, been able to hold this unguaranteed 40% of Soviet credit in their portfolios. Some small firms were excluded because they were in no position to carry these bills for such a long period as was required to get the business.

Because Germany has had a decidedly favorable balance of trade with Soviet Russia for the last 2 years, and because of the considerable amount of outstanding Soviet obligations in Germany (estimated at $250 millions at the end of 1932), the question of Soviet commitments is watched most closely in Germany.

During 1932, Moscow has paid large

sums to Germany in gold. The exact total has not yet been revealed, but it is estimated in Berlin at more than $40 millions. The last shipment of $4 millions arrived via Riga as late as Jan. 4, and was instrumental in offsetting the dollar payments which the Reichsbank had to make at the end of the year on the Lee, Higginson credit of the Reich, and other American loans.

The combined value of Russia's exports to Germany of goods and of gold did not cover maturing obligations in Germany last year but the Russians had another scheme which they worked, and maintained their perfect credit record. Under German foreign exchange restrictions now in force, all payments to foreigners have to be made into "blocked mark accounts" which can be taken out of Germany only with the permission of the Reichsbank. As a rule they are released only for investment in German securities, real property and mortgages. Recently, Berlin has allowed holders of such balances to use them (or to sell them) to pay for products purchased in Germany.

Sharp Manipulation

For some time last year, the Soviet Union paid for its orders in Germany by purchasing and disposing of such "blocked marks" for which permission was reluctantly granted by the German authorities. Not only were these balances purchased from third parties at a discount, but the Soviets used their diplomatic privileges in order to import German securities from other countries, sell them at a profit of 15% to 20% in Germany (where quotations of late have been higher than they have been abroad) and then apply the balances to pay for exports of German goods. Heavy offerings of I. G. Farbenindustrie (Chemical Trust), on the German stock exchanges shortly before Christmas were attributed to these Soviet transactions.

At the same time, the Soviets pressed the Germans for a general permit to meet their engagements in this way. This demand, if accepted, would have meant an all-round "rebate" of 15% to 20% on all Soviet obligations. The government has listened to the protests of industry and refused any such blanket permit, but the Soviets will probably be allowed to use this mode of payment to the extent of $2½ millions a month.

Whether the United States goes so far as to recognize Russia or not this year, there is going to be a concerted effort on the part of certain industries to get credit in this country promptly to back more Soviet business. What has happened in Germany, where the Soviets have placed the largest volume of business in the last 2 years, becomes increasingly important. The details are known and should expedite whatever thinking and planning Americans want to undertake.

Rome to Moscow

Italy threatens not to renew trade pact with Soviets because of unfavorable trade balance. Europe thinks there is another reason.

FOURTH largest market abroad for Soviet exports last year was Italy (Britain was first, Germany second, Mongolia third). Last week Rome threatened to put an end to this profitable business by declaring that the Italians would not renew their trade treaty with Moscow next August when it expires. Reason: Trade has been too one-sided —in Russia's favor.

No great excitement was stirred by the announcement. Europe is preparing for a World Economic Conference. Most practical method of making preparations is temporarily to shake free from cumbersome tie-ups. During the conference delegates will be better able to bargain. When it is over, new treaties can be made which will conform with advantages gained in "grand" session.

Europe is familiar with the procedure. Britain and the members of the Empire followed it a year ago in preparing for the Ottawa conference. One of the most important matters before the British government now is the negotiating of new treaties with Argentina and the Scandinavian countries which will not conflict with the Ottawa pact.

The unfavorable balance of trade has been narrowing as Russia has increased her purchases in Italy in order to retain her hold on the important Italian market for oil, coal, manganese, iron ore. Mussolini and Stalin are likely to find some way profitably to renew their contact.

French Advertising

Sole item in the French budget to be increased in 1933.

FRENCHMEN are noted for their shrewdness. A fresh example came out of Paris in connection with the budget discussions. In a long column of economies, one item was missing. It stood by itself under a caption of "expenditure increased." It was France's 1933 government appropriation for advertising. The increase exceeded $1 million.

France started a comeback late in 1929 when a new secretary was added to the cabinet—an Undersecretary of State for Tourism. First year's appropriation from the government amounted to $1,200,000. Efforts were extended to make France more attractive to the tourist. Annoying taxes were removed; visa fees were reduced; all travel facilities were more effectively coordinated.

Propaganda activities will be expanded in 1933 by $1 million.

Business Abroad

Nothing settled in the Far East, but new construction continues. Sentiment a little less optimistic in Britain and Germany, considerably less in France. Promise of war debt review buoys hopes for return to gold standard, smooths way for World Economic Conference.

Europe

European News Bureau (*Cable*)—Trends continued to develop in Europe this week with only a few highlights.

Outstanding was the problem of war debts (page 4). Britain, largest debtor to Washington, has been invited to discuss the problem, looks for adjustment. Europe expects an agreement to settle on a lump sum which will close the deal, with Britain promising to return to gold as her part of the bargain. The French are convinced that they will be asked to join the party, because "nothing can be settled" otherwise. Germany fully expects the sort of settlement which will guarantee the things promised at Lausanne—the need of reparations.

Sterling bounded up on the announcement, especially since it coincided with new inflation talk in Washington which hurried speculative dollars to London, and with further pessimism over the whole French outlook, even beyond the budget tangle.

Neither in Britain nor Germany, however, is the general outlook quite as favorable as it was a few weeks ago, and informed observers are generally concerned over France. Italy continues to gain confidence slowly. Spain has domestic affairs in hand again. Friction continues in Yugoslavia.

France

Paris is convinced no war debt settlement can be effected without French cooperation, but France has not yet been invited to participate at Washington conferences. Unemployment is mounting.

Paris (*Wireless*)—The problem of war debts has again come to the front with the announcement that the United States is willing to open new negotiations with the debtor countries which made their Dec. 15 payments. Though France is ranked the foremost defaulter and therefore is not yet invited to discuss the problem, the French consider themselves only technical and temporary defaulters—since officially, as yet, they have only deferred the last payment—and Paris is not convinced that England will be able to make any definite decision at Washington without French approval. Besides, the French trust the "gentlemen's agreement" absolutely as a means finally of forcing the United States to grant equal reductions to all Europeans without any discriminations whatsoever.

Le Temps, semi-official organ, says: "Nothing definite can be accomplished either concerning debts or international economic questions without active French cooperation"; and adds that it is ridiculous to believe France would have abandoned reparations without having first received definite assurances that her own obligations would receive similar treatment.

Ambassador Edge and Premier Paul-Boncour reopened conversations this week regarding Franco-American trade agreement, but due to the precarious position of the government, it is believed this meeting was little more than a courtesy call.

International News

BULLISH ON SUGAR—Thomas L. Chadbourne—sometime czar of the sugar industry—talked recently with world producers, then declared: "I expect to see sugar prices 50% to 100% higher in 1933."

The present government is making little headway with budget plans. Employees of the Bourse struck during the week in protest against preposterous propositions in the budget. There is a growing feeling in Paris that France may be heading toward the same sort of National Coalition government to which the British resorted in their crisis.

Though business in spots shows improvement, unemployment is increasing at the rate of 10,000 a week, and is already 30% above last year.

Germany

Political conflict freezes recent optimism: markets react.

Berlin (*Cable*)—Another political battle is on in Germany. Fortunately, a part of it is screened from the general public. Enough of it, however, has taken place in the open to have weakened public confidence temporarily and retarded recent optimism.

Stock markets were unsteady during the week, and the turnover much smaller than in recent weeks. Executives are nervous. Industry is highly indignant at continued talk of further protection for agriculture. Farmers roused the anger even of patient President von Hindenburg by claiming that the present government was treating them even worse than any former "Marxist cabinet." Old President Hindenburg was so hurt personally by this that he broke off relations with the Farmers' Union and its leaders.

Germans outside the farm group are inclined to feel that these allegations were especially unjustified since the present government and its immediate predecessors have gone a long way to meet the demands of the farmers. Extravagant tariff increases on agricultural products, reductions of interest rates on mortgages, "admixture laws" for domestic products (the last one was the decree introducing admixture of butter to margarine)—all these measures which have reacted on German industrial exports have failed to satisfy the farmers.

Germans to the Polls

Despite the Hitler success in the Lippe elections a week ago (*BW—Jan 25'33*), he has been willing to have the Reichstag meeting postponed until Jan. 31. Some people believe that he would favor postponing it even longer but it seems that von Schleicher will no longer delay putting the situation up to the country. Almost certainly no majority will be found to support the present government. There will be another election. It will be primarily to test Hitler's strength. It is doubtful if he can hold even the support he regis-

tered in the last election, which was much less numerous than a year ago.

These are the highlights of the political unrest which have upset Germany during the week. It is a temporary phase. It has not stopped the improvement which has been building in the country since the Lausanne settlement last summer gave the Reich a new lease of life. But it has slowed it down.

The December anti-seasonal expansion of foreign trade, though moderate, is encouraging. So is the rise in the December production indices for coal, steel and cement. There are more inquiries for German machinery, but not much of an increase in actual orders. Hoarding has been declining for several weeks. And with incoming Russian gold (page 22), Germany has been helped in meeting foreign payments. Unemployment is no longer rising.

Great Britain

Business sentiment turns up on prospect of early settlement of war debt problem. Sterling rises; prices of commodities gain. Economies still firmly resisted by labor.

LONDON (*Cable*) — President-elect Roosevelt's offer to talk over the war debt situation has had a dominating influence on British business this week, and it has been a good one. Markets were more cheerful; sterling was boosted; commodity prices were firmer. Britain is prepared to act promptly. MacDonald is expected to head the British delegation which will discuss the debt question. And the biggest bargaining factor is expected to be a return to gold by Britain (and automatically, by the sterling bloc of nations).

There has been increased confidence in domestic circles ever since Britain's declaration at Geneva that the country would not return to gold until some international agreement had been reached on future monetary policy and the removal of restrictions in numerous countries. The chance to talk with Washington soon is expected to influence sentiment optimistically. It is quite possible that major decisions will have been reached by the time the United States Congress is called into special session after the inauguration.

Wage Cuts Balked

Labor problems were prominent during the week in London because of the strike of half the busmen in the city. The men are back now and there is little likelihood of further trouble, but the whole affair is indicative of the attitude of workmen to new economies. A similar condition exists in the rail unions. There is no prospect now of a strike, though it may come.

EYES ON ASIA—A Japanese field watch on the Chinese border. Tokyo plans to rush 1933 conscripts to the Manchukuo front.

The recent obstinate stand of the British delegate at Geneva against a 40-hour working week and the opposition of many employers to a world-agreed reduction of hours must not be taken as typical of the feeling of the nation. Technocracy is not new in Britain. Only the name is new. The old "ca'canny" spirit in trade unionism was an unformulated technocracy and certain firms like Benn Brothers, Ltd. (the McGraw-Hill of Britain) have believed in the 40-hour week for more than a decade, and practiced it. In South Wales, the tinplate industry is actually experimenting with the 6-hour day without waiting for world agreement. This question of applying machinery to give shorter working hours is likely to blaze up as a dominating issue, and will be supported not so much as a means of sharing available work but as a means, on the Ford plan, of giving the producers time and means to be consumers.

The new issue position is hopeful, for there is plenty of money waiting for investment. The £2-million issue of Daily Mirror Newspapers debentures offered Jan. 23 was oversubscribed in 10 minutes. Not only is money lying idle on low deposit rates at banks, but last year the small savings that went into National Savings Certificates showed an increase. December bank deposits made a record total of £1,983.1 millions.

Far East

Both China and Japan are building. China signs new trade accord with the Soviets, begins at once to buy more products from Russia.

CHINA was favored by action at Geneva this week when the smaller members of the League of Nations insisted that the League do more than accept formally the Lytton report and then dismiss it. Britain and France—intimately concerned with empire policies in the Orient—would like to let matters take their course.

Japan, however, remains firm and is likely to follow a course prescribed in Tokyo and influenced little by Geneva.

During the week, there was no intense fighting in Jehol or in Manchukuo. China has intimated that she is ready to enter direct negotiations with Japan to settle the whole problem but there has been no mutual move to follow up such a plan.

It is significant that China and the Soviet Union are reported to have signed a commercial pact during the week. Terms have not been officially released but it is thought that China will contract to take oil, lumber, cotton yarn and cloth, hardware, toilet goods, and scientific materials from the Soviets in exchange for the sale of raw cotton, tea, sugar, coal, and minerals.

In this connection, it was noted in Shanghai trade circles that the first cargo of Soviet products, including 1,800,000 feet of lumber, had already arrived in China aboard a Norwegian freighter. Additional orders for Soviet lumber, petroleum, and metallic products have been placed by Shanghai merchants with the Soviet trade delegation.

The Commerce Department in Washington calls attention to the fact that among the 6 countries in the world in which construction continued to expand during 1932, China is prominent. According to the report, "more cities in China are undergoing reconstruction than at any time in the country's history." In Shanghai, there is the additional impetus of reconstructing the area destroyed in the struggle with Japan a year ago. A \$6-million rehabilitation loan, recently offered to the public, was oversubscribed in a short time.

Strategic Railroad

Japanese construction in Manchukuo is keeping many home industries occupied. The *Japan Times* remarked recently on one of these developments: "The most urgent work to be accomplished in Manchukuo is the construction of the railway from Tunhua to Kainei and then to Seihsin (*BW—Jan 25'33—map*), a port on the northeast coast of Korea. The construction of this railway was long pending between China and Japan. But since the outbreak of the Manchurian affair the matter has been satisfactorily settled and the South Manchuria is rushing the construction by contracting with several firms. If construction progresses at the present rate, the railway service should be opened by next fall. This railway would serve to tap the valuable resources of the hinterland and to carry Japanese goods to potential markets which it would open for exploitation. Also, in event of war with Russia, this completed railway would enable Japanese troops to be rushed into the war area by a safer route than any now existing."

Japan Expands Markets

Japan's foreign trade for 1932 attracted attention this week. Exports for the year were up 24%; imports were up 15%. The unfavorable balance of trade was reduced 50% over 1931.

Of course the depreciation of the yen has stimulated foreign demand for Japanese products. Only China and the United States, among the major customers, failed to buy more this year than last. Cotton goods exports are expected to reach an all-time record, with rayon fabrics, knitted goods, and chinaware also making especially large gains.

While some Japanese industries are booming on military orders and materials for construction in Manchukuo, there is a general realization that costs will soon begin to mount, for many raw materials come from gold standard countries and old supplies bought before Japan went off gold are now exhausted. The yen appreciated slightly during the week, but hovers near 21¢.

Latin America

Credit and collection conditions in Latin American countries summarized on basis of recent reports from financial capitals.

CREDIT and collection information concerning the countries of the world are checked almost daily by New York banks. Last week the Guaranty Trust Company of New York summarized its latest cabled reports. *The Business Week* briefs the data relating to Latin American countries.

Argentina—Governmental exchange restrictions are in force. Banks do not have to make application to the Exchange Control Commission for authorization to grant exchange for documentary drafts of less than the equivalent of 5,000 paper pesos unless such drafts cover the importation of so-called luxuries. Application for exchange must be made in all other cases. Exchange preference is given to documentary collections covering raw materials and merchandise necessary for the economic development of the country. Except in a few instances, exchange has not been available immediately and delays of about 1 month may be expected on approved documentary transactions. Extended delays may be expected for clean drafts and drafts covering importation of non-essentials.

Bolivia—Governmental exchange restrictions are in force. Only a limited amount of foreign exchange is available and the Committee of Control of Drafts only authorizes reimbursement of collections covering the importation of war supplies, raw materials for industry, food products of prime necessity, and drugs. Serious delays in payment may be expected on export shipments.

Brazil—Governmental exchange restrictions in force for more than 2 years place all exchange operations under the strict control of the Bank of Brazil. The recent moratorium on commercial debts, however, was not extended after Dec. 31, and drafts presented since that time have been covered readily.

Chile—All foreign exchange restrictions are under the control of the Exchange Control Committee. Drawees on drafts presented since Apr. 20, 1932 may, if they choose, liquidate their obligations in Chilean pesos at the rate of exchange ruling on maturity date. The conversion of such funds into dollars through official channels is practically impossible now. No foreign exchange is being made available through official channels for old collections held in suspense. The available supply of foreign exchange is so limited that it has been necessary for the government to give special authorization to the Central Bank of Chile to draw on its gold reserve to provide payment for the importation of articles of prime necessity or raw materials.

Colombia—Exchange transactions are under government control. Occasional dollar payments are received without delay but in the majority of cases, even though all the documents may be in order, payment is delayed up to about a month, pending receipt of approval from the Control Committee.

Costa Rica—Exchange is under governmental control. An extreme shortage of foreign exchange exists and a substantial amount of funds is immobilized awaiting conversion. Present experience indicates that delays of several months may be expected on current collections.

Ecuador—A severe shortage of dollar exchange exists; an increasing accumulation of unpaid drafts awaits reimbursement; delays of 5 to 6 months may be expected on current maturities.

Guatemala—No governmental exchange restrictions are in force and maturing collections are being paid without delay.

Mexico—Dollars are freely available at present and no delays in payment of maturing collections have been occasioned by lack of dollar exchange.

Nicaragua—By reason of the severe exchange shortage, the Control Commission authorizes remittances of only \$100 weekly for account of the total foreign debts of any one firm or individual. As a result, only very small part-payments can be expected periodically on maturing collections.

Paraguay—Exchange is under government control and long delays can be expected on current collections.

Peru—No governmental exchange restrictions are in force on transactions covering imported merchandise. Importers are handicapped by the severe drop in the value of currency since the country abandoned the gold standard and the exchange situation is likely to be further aggravated by the difficulties with Colombia.

Uruguay—Exchange for interest and amortization of bonds has preference over every other demand. Recent advices indicate that dollar exchange is insufficient to cover imports and notwithstanding that preference will undoubtedly be given to exchange for foodstuffs, prime necessities and raw materials for national industry. Delays in payment of current collections may be expected.

Venezuela—Dollar payments for maturing collections are being received, generally without delay.

The Figures of the Week

In face of disheartening pressure on steel prices and virtual absence of rail and construction demand, steel activity is gradually expanding. A spurt in non-residential building marked construction awards. Electric power output declined slightly; carloadings and coal increased over the holiday week. Commodities again show signs of strength.

THOUGH steel operations are inching upward about 1% a week, the odds are against any too enthusiastic appraisal of its significance. Rail customers usually appear in the spring with their needs for maintenance requirements, but so far only slight bestirring is apparent. Structural steel demand will have to drag along a few weeks before much turns up. So we are left with the automobile industry, tin plate, and such odds and ends as refrigerator, farm implement, and pipe manufacturers for the basic support of the steel industry.

Motor demand has enabled the Cleveland district to expand operations to 44% of capacity. Even Chicago has received some stimulus after several weeks of almost a standstill. But at 14%, the rate is far too low to be profitable, as approaching earnings statements will show all too plainly. And with the added flabbiness of the price structure, not even the best of managements can break even. Hence a country-wide rate of about 18% of capacity, though higher than a month ago, is still low.

Detroit employment reached 52.2% by mid-January from 48% at the close of the year. It undoubtedly reflects the increasing activity of the Ford plant, whose new models are expected to make their appearance almost any day. Steel requirements covering needs up to Mar. 1 may be placed this week.

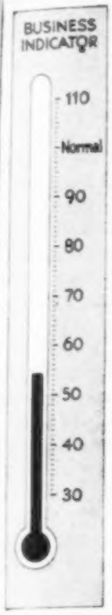
Other motor producers are believed to be pulling in the reins until sales results can be better determined. Chevrolet has lowered its schedule, so that February production is a bit uncertain. So far Willys and Continental are the lowest priced offerings of the industry. Whether other makers will permit these models to go unchallenged remains to be seen. December passenger car sales of 35 states total 34,370, a gain of 5.3% over November. Truck sales are running under the preceding month by 1.6%.

No Rail Orders

Rail business has been most disappointing, though it is hard to see what else could have been expected. With freight traffic falling 24% behind the none too good year of 1931, and funds more than scarce to meet obligations already incurred, the roads have been compelled to utilize what equipment was available and to patch rather than buy new materials. A few Eastern roads are expected to venture into the market this spring for a small amount of rails. Track material is being sought more freely. The recent decision of the Interstate Commerce Commission requiring steam locomotives to be equipped with "power reverse gears" will bring in orders for some 7,800 tons of steel, but since the roads are given until Jan. 1, 1937 to comply with the regulation, it

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
	*54.6	†54.9	63.0	
PRODUCTION				
Steel Ingot Operation (% of capacity)	18	17	28	61
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,228	$3,103	$4,708	$11,869
Bituminous Coal (daily average, 1,000 tons)	*1,117	1,156	1,148	1,677
Electric Power (millions K. W. H.)	1,484	1,495	1,598	1,686
TRADE				
Total Carloadings (daily average, 1,000 cars)	84	79	95	133
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	53	50	62	82
Check Payments (outside N. Y. City, millions)	$2,922	$2,851	$3,592	$5,241
Money in Circulation (daily average, millions)	$5,616	$5,613	$5,632	$4,867
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.43	$.45	$.54	$.98
Cotton (middling, New York, lb.)	$.063	$.062	$.067	$.148
Iron and Steel (STEEL composite, ton)	$28.55	$28.83	$30.00	$33.73
Copper (electrolytic, f.o.b. refinery, lb.)	$.048	$.048	$.072	$.131
All Commodities (Fisher's Index, 1926 = 100)	56.4	57.3	65.2	85.8
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,092	$2,127	$1,824	$1,421
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,655	$18,673	$20,052	$21,755
Commercial Loans, Federal Reserve reporting member banks (millions)	$5,902	$5,899	$7,303	$8,417
Security Loans, Federal Reserve reporting member banks (millions)	$4,213	$4,237	$5,632	$7,023
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$367	$381	$531	$2,967
Stock Prices (average 100 stocks, Herald-Tribune)	$84.95	$85.23	$92.67	$146.07
Bond Prices (Dow, Jones, average 40 bonds)	$79.99	$80.27	$80.58	$93.32
Interest Rates — Call Loans (daily average, renewal)	1%	1%	2.5%	4.0%
Interest Rates — Prime Commercial Paper (4-6 months)	1¼-1½%	1¼-1½%	3¼%-4%	4.2%
Business Failures (Dun, number)	691	726	855	679

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week,* May 7, 1930, p. 39.

is not expected that many roads will install such equipment now.

The R.F.C. has just released its record of lenders for the 11 months of 1932, revealing that the railroads were the second largest borrowers of the government. Some 104 loans to 62 railroad companies amounting to $337,435,093 were authorized. Over $81.6 millions were used to retire maturing bonds, about $74 millions to pay interest on funded debts, and over $61 millions for new construction.

In the face of such financial straits, it is not surprising that only one locomotive was ordered in 1932, and that the freight cars installed numbered but 2,968, the lowest on record in the decade. The plight of the roads has also been shared by the equipment companies supplying the roads which now face bond maturities of their own after a year of negligible business.

Structural Steel Slow

Structural steel demand dwindled markedly after the first of the year, but the prospect of near-by awards in connection with the substantial San Francisco–Oakland bridge project is a bright note in the offing.

A 20% price cut in the 1933 tractor line of the Minneapolis Moline Power Implement Co. came as a surprise to the farm implement makers who were about to undertake a sales drive. The effect may be to increase the steel consumers who are pushing for concessions and who have succeeded so admirably in breaking the price level, not only of sheets, which is not a new feature, but of wire whose stability has been noteworthy the past year. The price weakness adds to the pressure for wage reductions, of which there has been considerable talk of late.

Construction contracts in the 37 states east of the Rockies did not maintain the outstanding level of the first half of the month, though a nice pickup marked the non-residential building group. At the end of Jan. 21, these awards totaled $18,908,100, which on a daily basis means an increase of 16% over the December rate, and a decline of about the same amount from a year ago.

Public works and utility awards dropped sharply last week. Accumulated awards are now $34.8 millions. This is still nearly 23% ahead of the December daily rate, and 113% ahead of January, 1932.

Residential Contracts

Residential contracts continue to lag 62% below the daily average of a year ago. The month has brought forth only slightly more than $7 millions of work in this field, which is still more than 16% below the December rate.

Total awards now total nearly $61 millions, and on a daily basis are still surpassing the December and January, 1932 rate. But the margin is smaller than earlier in the month, standing now at 14.5% above the daily average of the preceding month, and 5.4% above a year ago.

Total tonnage of bituminous and anthracite for the week ending Jan. 14 turned upward from the preceding holiday week. The daily average of the former was a trifle below the week of Jan. 7, lowering the index to 49%.

Electric power production during the week Jan. 21 declined from the preceding week, but the index remains unchanged at 66%. Part of the loss in power may be attributed to the lengthening day.

Freight shipments gained over the holiday week, leaving the spread from 1932 at 11.6%. Miscellaneous, L.C.L., and coal loadings made the best recovery. The index, based on the first two, rose to 53%.

Check payments covering the week ended Jan. 18 made a slight recovery after the slump of the preceding week, though the adjusted index based on the past 2 weeks dropped to 60%. Financial centers made the best showing.

Comparison of check volume for the full year 1932 can now be made, though its results are probably too well impressed on the public mind to bear specific recording. However, since this series is often regarded as the best single business indicator, one might be pardoned in reporting the check shrinkage in New York at 36%; in the 140 cities outside of New York at 29%, and in the 131 smaller towns at 26%.

Currency Circulation

A flurry of bank suspensions probably accounts for the upward swing of currency circulation for the week ending Jan. 21. The trend is normally downward. Certainly retail trade shows no revival. January reports for the metropolitan New York area indicate a 22.7% drop from a year ago.

Commodity prices tended to firm in the last few days. Tin reached the highest level for a month as sterling strengthened. Silver also gained, as did hogs, cocoa, coffee, cotton, rubber, sugar, wheat and corn. Silk was irregular; hides lower. Steel prices are under pressure.

The Financial Markets

Rise in foreign exchange holds center of stage. New York Clearing House announces lowest rates on record. Bond market peers into new financing, is mystified on debts—marks time. Stock market yawns.

Money

WALL Street's twittering on inflation has become a trombone performance in Washington and now reverberates through the European financial centers. London and Paris have begun their sale of dollar balances and as the dollar fell in terms of francs and pound sterling, the dancing dervishes, performing as expert financial advisors in and out of bank and brokerage houses, detected a new run on the dollar and solemnly pointed out that the English government has begun to convert large volumes of its dollar balances into gold.

However, somebody missed a cue in the performance and the entire stage setting went flooey. While the pound sterling continued to rise serenely the franc took a tumble and, as this is written, is within striking distance of the point where gold will begin to flow from Paris to New York. Obviously then, Paris and London are less intimidated by inflation talk than are certain highly exercised gentlemen in the United States. Foreign financial interests now recognize that the United States can stand considerable expansion in its currency without endangering the gold standard. The recent weakness of the dollar was simply the consequence of the sale of dollar balances held by the English government, supported by some speculative selling on the part of gentlemen who nowadays must look with magnifying glasses for an opportunity to turn an honest shilling. The situation was made especially easy for this gentry because there were no corresponding exports from England to create new balances.

The New York Clearing House is not to be outdone in the rush for new records. It announced a record low for interest rates this week on demand and time deposits to be paid by the member banks. The new rates are $\frac{1}{4}\%$ on demand deposits and $\frac{1}{2}\%$ on time deposits. Pragmatic economists may now figure out to what extent the classical theory that "interest payment is the reward for abstinence" is true in New York.

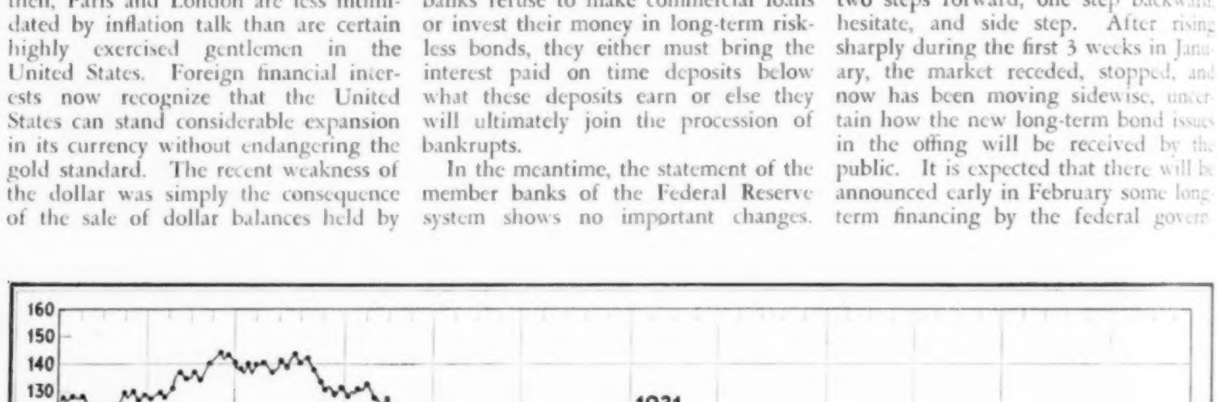
From the banker's standpoint, this is a sound step. The current rate for short-term money is now the lowest on record. Obviously, if the commercial banks refuse to make commercial loans or invest their money in long-term riskless bonds, they either must bring the interest paid on time deposits below what these deposits earn or else they will ultimately join the procession of bankrupts.

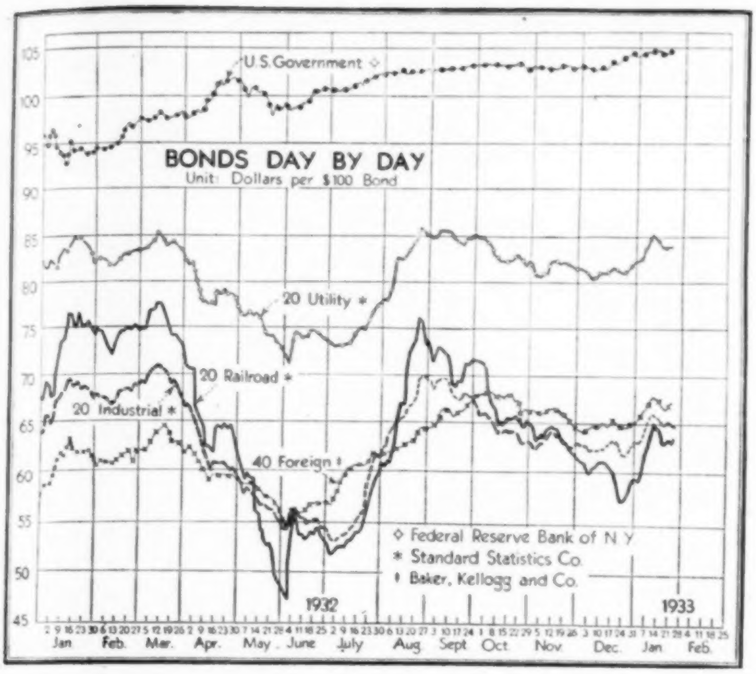
In the meantime, the statement of the member banks of the Federal Reserve system shows no important changes. Apparently, the banks in the system are marking time, waiting to see which way the cat will jump in Washington. The reporting member banks have reduced their loans by $21 millions, but increased their government holdings by $29 millions. This is the typical weekly report; contraction of loans and expansion of bond holdings is the 1932-33 style of bank hoarding.

One interesting factor in the statement of currency in circulation is the return flow of dollar bills from abroad. Apparently the bills were a favorite form of hoarding in Poland. With nothing happening to Polish currency recently, the Poles have been selling them. Having found their way into Germany to pay for imports of German goods into Poland, they are now coming back to the United States in a steady stream to help create balances for German merchants. This flow of actual money from one country to another was a more familiar phenomenon when the tide of immigration was high and immigrant remittances from friends here were shipped in the form of cash.

Bonds

THE dance of the bond market, styled January, 1933, is the hesitation waltz, two steps forward, one step backward, hesitate, and side step. After rising sharply during the first 3 weeks in January, the market receded, stopped, and now has been moving sidewise, uncertain how the new long-term bond issues in the offing will be received by the public. It is expected that there will be announced early in February some long-term financing by the federal govern-





ment; New York City is contemplating a $75-million refunding issue; and a large British bond issue might also make its appearance.

Moreover, buyers are in doubt about Federal Reserve Bank activity. The last weekly statement of the Federal Reserve Banks, which shows a reduction of $34 millions in holdings of United States government securities on top of a $38.5 million reduction the preceding week, has aroused the suspicion of the bond market that the tune of Federal Reserve Banks is dissonant. On the one hand, they have announced that there will be no change in their open market policy; on the other hand they have reduced their holdings by almost $75 millions in 2 successive weeks.

What appears now to be the final defeat of branch banking has done little to encourage bond buyers. The Comptroller of the Currency has asserted that there are scores of small banks so weak that they will have to close unless saved as branches of stronger institutions.

It is to be devoutly hoped that some way will be found to pevent this prophecy from coming true. But the figures thus far are not reassuring. During the first 3 weeks of January there were 134 bank suspensions, tying up $59 millions of depositors' money, thereby moving bank suspensions to a record high since last July. This is not the whole story because throughout the entire Middle West failures have been prevented by moratoria and bank holidays. These have been declared in cities in Illinois, Missouri, Arkansas, Iowa, and Wisconsin. Bank suspensions presage bond liquidation.

Even with all these adverse facts staring bond buyers in the face, recent developments in Washington looking toward international debt adjustments have been so encouraging that they have offset bearish influences. The bond market has remained firm and is moving sidewise.

Stocks

THE stock market is a slow affair these days. Prices drift indolently back and forth reflecting nothing more than the exchange of stocks among professional traders on the floor of the Stock Exchange and in commission houses.

On the whole, the market is resisting manfully a certain amount of bad news and is fully aware that nothing helpful to business is to be expected from Washington in the next few months. On the other hand, a comforting feature of this situation is that nothing of great detriment can come from our legislators.

The only news that might set a stock broker's heart thumping would be a pickup in business activity. Offhand, nothing in the way of increased business activity is in the offing. The currency inflation talk in the customers' room is sporadic and apathetic and is indulged in in the absence of more interesting news. Rumors of banking troubles and of railroad receiverships also pervade the speculative fraternity. Among the business indices that would help the stock market would be the stabilization or advance of commodity prices, but wheat, cotton, and silk have been reeling drunkenly in response to the gyrating performance of the yen, the pound sterling, and the franc.

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Inflation

THIS is not an argument for or against inflation. But since Congress has dragged it out of the closet of terrifying unmentionables into the spotlight of debate, and the Secretary of the Treasury discusses it in popular articles, perhaps lesser folk may at least attempt to clarify some of its aspects.

Since 1928, the average price of commodities has decreased one-third. The value of the dollar, then, has increased one-half.

This is unendurable. Debtors cannot pay 50% more than they borrowed. It is not justice to give creditors 50% more than they lent, nor is it justice that they should so often receive nothing at all because of the ruin of their debtors.

There are only two remedies, though both could be applied simultaneously. One is to decrease the value of the dollar, that is, to raise prices. The other is to cut down debts.

Everyone agrees a rise in prices is desirable, and much to be preferred to the wiping out of debts. To this degree, everyone is an inflationist, even Secretary Mills. But he would resent the label. He narrows the definition of an inflationist to one who would decrease the value of money by changing the basis of the currency. The Secretary, and the many who agree with him, would like to decrease the value of money without doing anything to money itself. It sounds, and has proved, a little difficult.

That is why members of Congress are beginning to advocate openly inflationist measures which promise quicker action. Competent political observers believe the movement will gain momentum in the next session. The President-elect is reported to oppose it, but the President, as several of his predecessors learned, is not the whole government. The farm organizations are bent on currency inflation; they are not yet agreed upon the best way.

Various methods are suggested by proponents. One is to reduce the gold content of the dollar. It is hard to see what this would accomplish toward stimulating business. The use of silver would do even less. The only effective inflation is that which puts new money in the hands of consumers. Inflation through huge governmental appropriations for public works, farm relief, unemployment relief, even the indefensible soldiers' bonus, would seem to be the only means which would really stimulate consumer buying, upon which revival of business depends. And this, by the way, would be the easiest channel through which Congress might drift into inflation, and the hardest for a President to block.

There is one strong objection to currency inflation as a means of readjustment in a situation such as this. Many arguments offered are specious. The injustice-to-creditors plea is bosh; there is no injustice in paying them in dollars which will buy just as much as the dollars they lent. The argument that a rise in domestic prices will not increase world prices is largely irrelevant. The primary object of seeking a rise in the domestic price level is to create a workable balance between domestic debts and domestic prices. Granted, a rise in the dollar value of wheat will not raise the price of wheat in sterling. But neither should it depress Liverpool prices.

The strongest argument—and it is enough to turn the scales in many minds—is that currency inflation is hard to control. Quite properly, any nation hesitates to let its politicians start off in this powerful car with its poor brakes; the trip usually becomes a drunken joyride, and ends in a complete wreck, as in Germany. History is full of examples.

It is also true that no people ever has endured for long any considerable rise in the value of money. That, of course, is neither argument nor prediction. It is merely another bit of history.

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